DOCUMENT RESUME

ED 146 365 CE 013 092

AUTHOR	Chadwin, Mark Lincoln; And Others
TITLE	The Employment Service: An Institutional Analysis. R & D Monograph 51.
INSTITUTION	Urban Inst., Washington, D.C.
SPONS AGENCY	Employment and Training Administration (DOL), Washington, D.C.
PUB DATE	7
CONTRACT	DL-20-11-76-10
NOTE	226p.
AVAILABLE FROM	Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (Stock Number 029-000-00296-7)
EDRS PRICE	MF-$0.83 HC-$12.71 Plus Postage.
DESCRIPTORS	Administrative Agencies; Administrative Organization; *Agencies; Community Agencies (Public); *Employment Services; Federal Government; Interagency Cooperation; *Interagency Coordination; *Organizational Effectiveness; *Performance Factors; Program Effectiveness; *Program Evaluation; Research; State Agencies
IDENTIFIERS	United States

ABSTRACT

A study investigating institutional factors affecting the performance of the employment service (ES) focused on (1) organizational characteristics conducive to high performance in state ES agencies and their local operations and (2) the external linkages of the ES with state and local politics, other agencies, and the U.S. Department of Labor (DOL). Field interviews were conducted in nine state employment security agencies (SESAs), five regional offices, and the U.S. Employment Service. The major findings were (1) SESAs with high performance tended to differ systematically in their organizational structures and style from SESAs with low performance, (2) SESAs differed in their adaptiveness to change and their receptivity to federal assistance, (3) the generally low performance of ES offices in urban areas seemed due in part to organizational factors, (4) SESA linkages to state level politics and other agencies were a secondary but important influence on ES operations, (5) SESA linkages to local level politics and other agencies were another secondary but important influence on ES performance, (6) the U.S. Employment Service has limited ability to guide and assist SESAs, and (7) political constraints and policy issues at the national level must be dealt with if the employment service is to improve. (This report includes recommendations for each of the major findings and an appendix containing supplementary information on the study's methodology and on the account executive, a proposed ES staff position.) (EM)

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The Employment Service: An Institutional Analysis

ED146365

R & D Monograph 51

U.S. Department of Labor
Ray Marshall, Secretary
Employment and Training Administration
Ernest G. Green
Assistant Secretary for
Employment and Training
1977

This report was prepared by Mark Lincoln Chadwin, John J. Mitchell, Erwin C. Hargrove, and Lawrence M. Mead of The Urban Institute, Washington, D.C., for the Employment and Training Administration, U.S. Department of Labor, under research and development contract No. 20-11-76-10. Interpretations or viewpoints stated in this document do not necessarily represent the official position or policy of the Department of Labor or of The Urban Institute. Moreover, the authors are solely responsible for the factual accuracy of all material developed in this study.

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ACKNOWLEDGMENTS

The authors wish to express their appreciation to those whose cooperation made this report possible. First, there are the hundreds of employment service staff that we interviewed at all levels of the system. Their general willingness to share their thoughts and experiences candidly with us yielded many unexpected insights and made our task much easier.

Next are the individuals who took the time to review all or part of our manuscript. Many of their comments were invaluable. Reviewers within the Urban Institute included: Marc Bendick, Alan Fechter, John Greiner, Harold W. Guthrie and Charles C. Holt. Other reviewers included: Eugene Bardach, John M. Clark, John D. Crozier, Martin R. Glick, Charles Odell, Randall B. Ripley, David C. Roberts, Peter H. Rossi, Carl E. Van Horn and Joan Wills. The comments of U.S. Employment Service officials, particularly William B. Lewis and Peter Rell, contributed importantly to improving the manuscript.

A special word of appreciation should go to Dr. Howard Rosen and his staff in the Office of Research and Development. ORD's support, assistance and advice throughout the project were indispensible.

Finally, the authors wish to thank three of our close associates--Demetra Smith Nightingale, for outstanding assistance with documentary research and data management; Sandra Simpson, for her administrative support and competent, caring preparation of the manuscript; and Yuri Mayadas, for her timely assistance in typing the final report.

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ACRONYMS

AA	affirmative action
ADS	Applicant Data System
BLS	Bureau of Labor Statistics
BOS	balance-of-state
BPF	Balanced Placement Formula
CAC	community advisory council
CAP	Community Action Program
CAS	Cost Accounting System
CBO	community-based organization
CETA	Comprehensive Employment and Training Act
COT	central order-taking
DECAL	Detailed Computer Assisted Language
DOT	Dictionary of Occupational Titles
EAC	employer advisory committee or employer ad hoc committee
EDA	economic development agency
EDP	electronic data processing
ES	Employment Service
ESARS	Employment Service Automated Reporting System
ESIP	Employment Service Improvement Project
ESR	employer service representative
ETA	Employment and Training Administration
HRD	human resource development

ICESA	Interstate Conference of Employment Security Agencies
IPA	Inter-Governmental Personnel Act
LMI	labor market information
MDTA	Manpower Development and Training Act
MODS	Manpower Operations Data System
MPC	Manpower Planning Council
MTI	Manpower Training Institute
O&M Reports	Organization and Management Reports
OFO	Office of Field Operations
OJT	on-the-job training
OPTS	Office of Program and Technical Support
ORD	Office of Research and Development
POSARS	Plan of Service Automated Reporting System
PSE	Public Service Employment
RAF	Resource Allocation Formula
SESA	State Employment Security Agency
SMPC	State Manpower Planning Council
SMSC	State Manpower Services Council
UI	Unemployment Insurance
USES	United States Employment Service
WIN	Work Incentive Program

EXECUTIVE SUMMARY

This study investigates institutional factors affecting the performance of the employment service (ES). The focus is on (1) organizational characteristics conducive to high performance in state ES agencies and their local operations and (2) the external linkages of the ES with state and local politics, other agencies, and the Regional and National Offices of DOL. The study is based on field research during 1976 in a sample of nine state employment security agencies (SESA's), six Regional Offices and the National Office of the Employment and Training Administration (ETA). This summary presents a brief description of the ES and the major findings and recommendations of the study.

A. THE EMPLOYMENT SERVICE--A BRIEF DESCRIPTION

The U.S. Employment Service acts as a labor exchange to match workers seeking employment with available jobs. Job seekers come to local ES offices and are referred to fill job orders given to the ES by employers. ES staff interview applicants, refer them to appropriate openings, and sometimes provide job counseling and other services.

The employment service has a Federal-state structure. The Federal government makes grants to SESA's to run the employment service, unemployment insurance (UI), and other manpower programs in their states. In fiscal year 1976, $532 million in Federal funds were appropriated to support the employment service in 50 states and four other jurisdictions.

There are about 2500 local employment service offices with about 30,000 Federally-paid staff nationwide. An additional 400 offices provide unemployment insurance services only. How completely the two programs are integrated varies with the state and locality. In fiscal year 1976 ES offices registered 15 million job applicants and made 5.2 million job placements involving 3.4 million individuals.

Although the basic mission of the employment service is job placement, the program has a number of other responsibilities under various laws, executive orders, and agreements with other agencies. The most important are enforcement functions relating to job applicants and employers who use ES services. Some beneficiaries of income transfer programs such as unemployment insurance, Federal-state welfare, and food stamps are required to register for job placement with the ES. Local ES offices are also supposed to assure that employers who use ES services abide by equal employment opportunity hiring rules and other Federal labor regulations.

Although public employment services existed before World War I, the present Federal-state structure was established in the Wagner-Peyser Act of 1933. The system has been closely associated with unemployment insurance since 1935. The employment service was used extensively to recruit workers for public relief projects in the 1930's. During World War II it was temporarily Federalized and used to channel civilian workers into defense industries. Afterward, it facilitated the reconversion of veterans to peacetime employment, and operational control was returned to the states.

In the middle and late 1960's, national policy stressed placement of, and services to, the disadvantaged or low-skilled worker. The Manpower Development and Training Act (MDTA) of 1968 assigned the ES responsibility for providing such individuals with training and other developmental services, as well as placement assistance. Since 1972, national policy has re-emphasized placement in available jobs, and responsibility for training and other developmental functions has increasingly been assumed by local and state prime sponsors under the Comprehensive Employment and Training Act (CETA).

B. HIGH PERFORMANCE AND ORGANIZATIONAL CHARACTERISTICS

SESA's with high performance tended to differ systematically in their organizational structures and style from SESA's with low performance. The organizational differences appeared to be an important cause of the performance variation.

Our measure of performance controlled for the influence of labor market conditions on SESA productivity (individuals placed per staff year). Sample agencies whose placement performance was above what would be expected given their economic environment were termed "optimizers," while those with performance lower than expected were termed "sub-optimizers."

Our field work showed that optimizing agencies were characterized by:

- A clear and consistent sense of mission with placement the primary objective.
- Innovative and entrepreneurial professional leadership.
- An open internal atmosphere and considerable lateral and upward communication.
- Wide supervisory span of control and few organizational levels.
- Considerable delegation of responsibility to service delivery levels.
- "Lean" district and central office staffing.
- Dispersal of service delivery staff into many small offices.
- Close and informal relations with employers.

The sub-optimal agencies often suffered more from political interference and were characterized by cautious, custodial leadership; a relatively closed internal atmosphere; hierarchical organization and little delegation of authority; staff of limited competence; and relatively distant and formal contacts with employers and other agencies.

Recommendation: *The USES and sub-optimal performing SESA's should initiate institutional change strategies that cause sub-optimal agencies to develop the organizational characteristics found in optimizing SESA's.*

B. SESA's AND CHANGE STRATEGIES

SESA's differed in their adaptiveness to change and their receptivity to Federal assistance. We identified the following three categories of SESA's:

- "Resistant" SESA's were sub-optimal agencies that appeared unwilling or incapable of undertaking improvements due to political or internal organizational constraints.
- "Receptive" SESA's were also sub-optimal but were receptive to ways to improve their operations and thereby their productivity.
- "Optimizing" SESA's were already performing well and therefore need little outside assistance except in certain technical areas.

Recommendations: *DOL should use different strategies for improving the performance of SESA's according to their capabilities and their commitment to change.*

- *"Resistant" SESA Strategy: After causes of low productivity have been documented, various fiscal sanctions and publicity should be used to produce a willingness to change.*
- *"Receptive" SESA Strategy: A National Office special team should assist SESA's in diagnosing their problems and implementing improvements. Institutional development tactics would include:*
  - *-- external incentives such as discretionary funds targeted on institutional development efforts in SESA's, interagency personnel assignments among SESA's and more effective use of the Regional Manpower Training Institutes;*
  - *-- restructuring SESA organizations and procedures;*
  - *-- changing behavior by changing attitudes through training, discussion and persuasion; and*
  - *-- the use of new service delivery strategies like computerized job matching and the Employer Services Improvement Program (ESIP) as opportunities to bring about organizational change.*

- *"Optimizing" SESA Strategy: This strategy should be limited to technical assistance, mainly in advanced areas like computerized job matching and accountability systems, since optimizing SESA's are already highly productive relative to their environment and require little Federal advice on management and operations.*

DOL should undertake a demonstration project to develop strategies for institutional development and test their feasibility and effectiveness. Part of the project would involve an experimental National Office team recommending and helping to implement organizational changes in one or more receptive SESA's.

C. PRODUCTIVITY IMPROVEMENT IN METROPOLITAN SETTINGS

The generally low performance of ES offices in urban areas seemed due in part to organizational factors. Although many metro operations are inevitably handicapped by an environment of high unemployment and stagnant growth, some have significantly improved their performance by dispersing staff to "satellite" or "mini" offices and by other innovations.

Recommendation: *DOL institutional development and technical assistance in low-performing metropolitan areas should emphasize:*

- *Dispersion of large offices into many small local offices.*
- *The development of within-state accountability systems modeled after the national Resource Allocation Formula (RAF) to rationalize local office resource allocations and maintain managerial control of staff dispersed to the more numerous satellites and mini-offices.*
- *Cautious implementation of computerized job matching, concentrating on sites where organizational preconditions favorable to successful implementation are met.*
- *Improvement of employer relations, using ESIP and other strategies, such as a modified account executive approach.*

D. STATE LEVEL LINKAGES

SESA linkages to state level politics and other agencies were a secondary but important influence on ES operations. Although SESA's received little budgetary or legislative oversight, state politics and government often imposed constraints such as:

- Disruptive political intrusions, which were found more often in SESA's headed by single executives rather than commissions.
- Restrictions on ES salary levels due to state budgetary constraints.
- Civil service systems that hired or promoted on non-merit grounds and constrained efficiency and flexibility.

- Public service unions which had effects similar to those of civil service systems.

- Sub-optimal local office locations due to political interference or the policies of state general services departments.

Recommendations: *DOL policy should assist SESA's in dealing with restrictive personnel systems through:*

- *Underwriting development of more job-related and performance-based criteria for hiring and promotion.*

- *Stricter Federal regulations requiring that SESA personnel procedures be based more clearly on merit.*

- *Guidance to SESA managers on using existing personnel procedures more effectively.*

- *Assistance to help SESA's improve personnel procedures by working with civil service commissions.*

- *Dissemination of information on strategies for reconciling public employee unionization with managerial objectives.*

Regional Offices should conduct a careful and systematic review of all local office location decisions made by SESA's. SESA's should follow a consistent method for local office location decisions, such as the one presented in the Location Handbook for Employment Service Local Offices.

E. LOCAL LINKAGES

SESA linkages to local level politics and other agencies were another secondary but important influence on ES performance. Local government could present important constraints or opportunities for local ES offices in the areas of:

- Office location: Communities typically resisted the closing or relocation of offices.

- PSE positions: Local offices of optimizing SESA's typically sought PSE slots and used them productively. Sub-optimal agencies tended to use PSE personnel less effectively.

- Participation in CETA: Optimizing SESA's in favorable environments usually acquired a large role in local CETA programs. Their arrangements with prime sponsors tended to benefit their performance as measured by the RAF. Sub-optimal agencies usually obtained less work and profited less from it. This was especially true in depressed metropolitan areas where prime sponsors favored a more heavily developmental approach.

Recommendations: *DOL should clarify its policy on the CETA-SESA linkage. Current RAF budget weights may act as disincentives to the coordination of local ES and prime sponsor activities, especially in metropolitan areas. In addition, prime sponsor autonomy in choosing service deliverers has led to the duplication of job development and placement activities at the local level.*

If current policies continue, the USES should follow a dual strategy toward ES-CETA relations, although the detailed pattern should be left to state and local decision:

- *In favorable environments, a SESA should actively seek CETA contracts and provide placement services under Wagner-Peyser funding. Such an arrangement would enhance the SESA's placement performance and increase its share of RAF funding.*

- *In unfavorable environments, a SESA should be more cautious in seeking CETA involvement. ES staff performing CETA functions should be out-stationed with CETA projects and paid for by CETA funds. In such environments, CETA placement contracts are less likely to benefit the RAF ranking of the SESA, though such involvement may be desirable for political or bureaucratic reasons.*

F. THE REGIONAL AND NATIONAL OFFICES

The USES has limited ability to guide and assist SESA's because of organizational problems of its own. The most important are:

- Limited program expertise on the part of Regional and National Office staff due largely to the HRD (human resource development) legacy and little recent recruitment from state agencies.

- National Office problems such as a history of organizational fragmentation and loss of direct contact with SESA's.

- Regional Office problems such as Federal representatives and OPTS units that lack ES expertise and operational experience at the service delivery level.

Recommendations: *DOL should develop increased ES program expertise in both Regional and National Offices. The long-term strategy should be to rebuild from the National Office outward to the Regions. Approaches could include:*

- *Systematic recruitment of individuals from optimizing SESA's for Federal positions.*

- *Far more extensive IPA exchanges with state agencies to bring individuals with needed expertise to the National and Regional Offices for several years, while exposing Federal staff to realities at the grassroots.*

- *A requirement that USES executives actually spend some time each year working in a local ES office so as to be conversant with current conditions at the service delivery level.*

- *Recruitment from outside the employment service system of individuals with highly specialized skills in areas such as institutional development and computerization.*

- *Re-establishment of identifiable ES components within Regional OPTS units.*

Political constraints and policy issues at the National level must be dealt with if the ES as a whole is to improve. The most important are:

- Political intervention by state agencies which often have used Congressmen or other intermediaries to promote their bureaucratic interests.

- Enforcement functions which are contrary to the main labor exchange mission.

- RAF incentives that currently may cause SESA's to invest less attention and resources in troubled metro operations.

- Identification of the appropriate role for the ES under such proposed innovations as welfare reform or guaranteed jobs legislation.

Recommendations: *Top level ES officials must work with their superiors in DOL to cultivate new political strategies for working with the Congress and other external constituencies in order to:*

- *Head off attempts by individual states to use political channels to obtain special treatment or avoid the consequences of poor performance.*

- *Achieve better compliance and institutional improvements in SESA's.*

- *Obtain relief from certain enforcement functions and receive separate earmarked funds to implement others.*

I. INTRODUCTION

SUMMARY

This study examined institutional factors affecting placement productivity in the employment service. The focus was on the internal organization of high- and low-performing State Employment Security Agencies (SESA's) and on their external linkages to state and local government and to other agencies, including the Regional and National Offices of the U.S. Employment Service.

The methodology emphasized the institutional influences on performance by controlling for non-programmatic influences such as differences in economic environment among states. "Clusters" of states were studied which were similar in environment but different in performance and institutional features.

SESA's were termed "optimizers" or "sub-optimal" if they performed well or poorly, not in absolute terms, but relative to their economic environment. Optimizers were those whose productivity, in individuals placed per staff year, was higher than expected given their economic environment. Sub-optimal agencies had lower than expected placement performance.

We found that optimizing agencies were characterized by a clear sense of mission; an innovative, entrepreneurial spirit; an organization with relatively little hierarchy; open communication among leadership and staff; high quality personnel; and collaborative relationships with other agencies. Sub-optimal agencies were much more cautious, hierarchical and "closed" in their internal atmosphere and more isolated or combative in their external relations.

A. STUDY OBJECTIVES

This study examines the influence of institutional variables on the performance of the employment service (ES). Research was carried out in nine states to discover how internal organizational characteristics and external linkages to other agencies and to politics affect performance.

The study was proposed by the Office of Research and Development (ORD), Employment and Training Administration (ETA), Department of Labor. ORD had become persuaded that administrative and political constraints on ES performance were important enough to be studied in their own right. Previous studies had often focused on the effectiveness or impact of specific service delivery components or techniques. This study, however, was supposed to focus on how the employment service functioned as an institution. Nevertheless, the study was not supposed to be speculative or theoretical in character. It was to be of operational use to ES managers, providing them with insights into organizational behavior at all levels, so that their actions might take institutional factors better into account.

Specifically, USES administrators posed two questions: (1) what institutional characteristics distinguish high-performing ES agencies and local offices from low-performing ones, and (2) how can the USES use its relationship with these agencies more effectively to promote high performance? Out of these two concerns arose a study design focusing on both the internal character of the state agencies and their external linkages with politics and other institutions, including the USES.

The following sections describe briefly the study methodology, qualifications which must be placed on the findings, and the general findings about the characteristics of high- and low-performing ES agencies.

B. STUDY METHODOLOGY

The study was based on field interviewing in a sample of nine State Employment Security Agencies (SESA's), five Regional Offices, and the National Office of the USES. The main focus was on the internal characteristics of SESA central, district and local offices and their ties to government or other agencies at the state or local level.

The methodology had the following basic elements:

- The identification of a performance measure to differentiate high and low performing agencies and to determine whether an association existed between performance and institutional characteristics.
- Selection of sample states on a basis which roughly controlled for non-institutional influences on performance (notably economic environment) and focused on influences stemming from bureaucratic and political factors.
- A research strategy relying primarily on semi-structured field interviews within SESA's, Regional Offices, and the National Office.
- An analytic method using elements of organization and political theory to understand the specifically institutional influences on ES performance.

The rest of this section briefly discusses these elements in turn. Each is treated at greater length in Appendix I.

PERFORMANCE CRITERIA

Before the study could begin, a performance criterion had to be selected against which institutional differences could be examined. We chose to define performance in terms of placement productivity, meaning individuals placed per staff year of effort. This definition was selected because current Federal policy defines ES program goals in similar terms. Specifically, placement productivity is the dominant factor affecting state funding allocations under the USES's Resource Allocation Formula (RAF). USES guidance to state agencies also emphasizes mainstream placement as the ES's primary mission.

There is no implication that other objectives are invalid, merely that they are not uppermost in current ES priorities. We recognize that human resource development (HRD) goals dating from the 1960's--the training and placing of the disadvantaged or less job-ready--are still important to many ES officials. Those objectives have received major emphasis in CETA (Comprehensive Employment and Training Act). Our own view is that HRD goals and placement should be complementary. While our study concentrates on the ES's effectiveness in the placement fuction, we assume that a comprehensive national manpower policy requires, as well, programs dedicated to development and training. This is one reason why Chapters III and IV dwell at length on ES-CETA relations.

Placement productivity became the standard against which all our findings about institutional characteristics were ultimately examined. At all levels of the employment service we asked: what organizational feature and external linkages seem conducive to high or low placement performance?

STATE SELECTION

Our method of state selection was designed to make these inferences possible by controlling for non-programmatic influences on performance and highlighting the institutional factors.

There is general agreement that economic factors have a significant effect on ES placement productivity. Recent studies suggest that various external factors explain between 40 and 65 percent of the variance in performance between one SESA and another.* These studies also roughly identified SESA's as either performing above or below levels which would be expected given their environments.

Our selection of sample states attempted to control for external factors by choosing states that were consistently depicted as high or low performers in these studies.** In this way we could concentrate on the variance in performance not due to economic factors. In principle, much of this residual should be due to institutional factors.

To control for non-institutional factors we chose "clusters" of sample states, each cluster having similar economic, as well as social and cultural conditions. The clusters were as follows:

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*For further discussion of this research, see Appendix I, pp. 186-9.

**See Appendix I, p. 192.

Northeast (Great Lakes, New England Middle Atlantic):	2 states
South:	2 states
Farm Belt (Midwest):	2 states
Sun Belt (Southwest):	3 states
Total	9 states

Within each regional cluster, states were chosen that were generally similar in demographic and economic make-up. Thus, variations in placement productivity between SESA's in each cluster should be due less to general environment and more to institutional differences. In addition, to make our sample as representative as possible of all SESA's, we included agencies with different organizational structures, mission orientations and linkages with other agencies.[*]

The design attempted to separate out environmental and programmatic influences on performance, but the separation could not be complete. Our findings inevitably reflect the fact that our field research occurred during the 1976 recession. The recession may have made agencies with high institutional performance--those we call "optimizers"--look better than at other times, simply because most of them were in regions that were less affected by rising unemployment. Similarly, low-performing, or "sub-optimal," agencies may have looked even more rigid and defensive than usual because of the stress of coping with unusually high unemployment.

Throughout the report sample states are not identified by name. Instead, they are identified by region and by whether they were optimizing or sub-optimal and in a favorable or unfavorable environment. We promised confidentiality to our respondents so they would speak more candidly. In addition, identification is not necessary for the purposes of this report. It seeks primarily to convey generalizations about bureaucratic and political factors conducive to high or low performance, rather than specific facts about particular SESA's.

RESEARCH STRATEGY

Our main source of information was field interviewing using a semi-structured interview guide. Nine states were visited, by two researchers for periods of about one to two weeks. In each, the researchers interviewed officials in the SESA central office, personnel in a number of district or local offices, and officials of other agencies, state and local government bodies, or private organizations which had relations with the ES. Interviews were also conducted in the National Office and in five Regional Offices.

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[*] The non-programmatic variables for which we sought to control and the factors considered in selecting states are given in Appendix I, pp. 188-94.

In all cases, the questions were drawn from the same interview guide. However, different questions were emphasized at different levels. Those asked at the state and local level concentrated on the SESA's internal organization and management style and its relationships with outside organizations, including the Regional and National Offices. Those asked at the National and Regional levels emphasized policy issues and relationships with SESA's.*

Since the questions were semi-structured, answers from different respondents were generally comparable. Answers from officials in a particular state or Regional Office tended to show a consistent pattern. It was possible to ascertain a SESA's organizational patterns and its ties to other organizations and to make comparisons between states. At the same time, the questions were open-ended enough so that respondents could volunteer information they thought important. Very often, these comments illuminated typical relationships in new ways or suggested patterns of which we had been unaware.

ANALYTIC METHODS

The data, once collected, were interpreted using an approach which we call institutional analysis. As a rule, policy analysis has concentrated on the basic design of Federal programs (services, eligibility, funding) or on evaluation of their consequences for recipients or society ("impact"). The focus of this study was, instead, on the institutional linkages which lie between basic Federal policy and the delivery of services to clients.

Institutional analysis uses elements of organization theory and political science to interpret findings about a program's internal structure and external ties to other organizations. In this study, we sought to construct tentative models of structural patterns associated with high or low placement productivity. In the model-building process, theory and evidence interacted. The hypotheses which guided our initial field work were revised in the light of findings, which in turn led to some new questions and new findings. We hoped that variations in key organizational characteristics such as managerial style or span of control might differentiate high- and low-performing agencies. We also anticipated that the general political culture of states might mold relationships between the SESA's and other agencies. These expectations were confirmed.

C. QUALIFICATIONS

Some qualifications must be placed on our findings because of the exploratory nature of the research. Since institutional analysis is a new approach to policy questions, our methodology to some extent evolved over the course of the study. Public officials and academics have become increasingly aware that administrative and political factors are important constraints on the performance of government programs. There is a body of academic and management theory about organizations, and there are well-known procedures for field research about programs. But very little field research on institutional or program implementation questions has actually been done.

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*For an outline of questions asked and a discussion of the types of respondents interviewed, see Appendix I, pp. 194 - 9.

This fact, plus the great complexity of the institutions under study, counselled that our research design be flexible, especially in the early stages. It was most important to make sure we were asking the right questions, even if some shifts of focus made our ultimate findings more tentative.

Time and resource considerations also imposed constraints. If research is to be of use to administrators and policy makers, the tradeoff between timeliness and greater precision must be carefully considered. In this case research design, field work, analysis and drafting were completed in thirteen months.

Specifically our findings are conditioned by the following limitations:

- Sample size: A sample of nine states does not allow inference about all state employment services at high levels of confidence. In its range of performance and institutional structures, the sample was meant to be broadly representative of ES programs. However, the findings should be applied to individual programs with care.

- Validity issues: It may be questioned whether our research strategy, based on interviews, elicited candid and consistent information about ES structure. While the general consistency of reporting gives us confidence in our findings, we cannot state that level of confidence with precision.

- Relative causation issues: Our research gave us a rough sense of which institutional parameters had the most influence on program performance, but we cannot state the relative importance of the factors precisely. To do this would require extensive quantification and multivariate analysis well beyond the intended scope of this study.

- Imperfect control of non-programmatic influences: As mentioned earlier, what we took to be institutional features of state programs may have been colored by economic conditions despite our attempt to control for this influence.

Because of these limitations, our expectations were modest. We were prepared for findings which only mildly suggested a few of the institutional factors affecting ES performance. The same patterns of internal characteristics and external linkages might have shown up in both high- and low-performing agencies. Such results would have suggested that more extensive or intensive research was necessary before conclusions firm enough for policy purposes could be drawn.

D. GENERALIZATIONS

In fact, the findings were more conclusive than we expected. By the time we had completed work in all nine states, it was apparent that generalization was possible about the institutional characteristics associated with optimizing and sub-optimal ES performance. To be sure, none of the nine SESA's fit precisely the generalized descriptions of an optimizing or sub-optimal agency presented below (although one SESA approached the optimizing ideal). However, these generalizations are presented as a framework to guide the reader through the details in the chapters that follow.

THE BASIC TYPOLOGY

Our findings showed that the SESA's varied most importantly in two dimensions--economic environment and organizational productivity. The following table arrays the nine sample SESA's according to these dimensions.

TABLE I. TYPOLOGY OF STATE AGENCIES BY ENVIRONMENTAL CHARACTERISTICS AND ORGANIZATIONAL PRODUCTIVITY[1]

Organizational Productivity	Environmental Characteristics: Favorable	Environmental Characteristics: Unfavorable
Optimizing	(A) +27.8 (C) +16.8	(B) +26.5
Sub-optimal	(D) - 2.9 (F) -14.0 (G) -15.4 (I)[2]	(E) - 7.3 (H) -32.3

[1] The cells contain letters identifying sample states and the percentage by which each exceeded or fell short of expected placement productivity, as derived from the FY 1977 RAF regression analysis. For discussion, see Appendix I, pp. 203-8.

[2] See Appendix I, pp. 205-6 for an explanation of this agency's assignment in the typology.

Optimizing agencies are simply those whose placement productivity (individuals placed per staff year) is above what would be expected given their economic environments. Conversely, agencies are termed sub-optimal if their actual productivity is lower than expected. Expected productivity was obtained from the multiple regression analysis underlying the FY 1977 Resource Allocation Formula (RAF).*

The economic environments in which state agencies operate have been characterized in this typology as "favorable" or "unfavorable." External economic and labor market factors that statistical studies had shown to significantly affect ES placement productivity were used to differentiate favorable from unfavorable environments.

A favorable state environment for ES productivity is one where economic conditions are such that placement services are in relatively high demand. Employment is expanding. The unemployment rate is below the national average, as are average workers' earnings. The state has relatively low population density and few large metropolitan areas. Unionization is relatively low.

In such a setting, a SESA typically has few competitors for its placement function. Large population centers where private agencies can secure a profitable share of the market are few. Much of the population resides in small towns where local offices are part of the community. Such offices are often "the only game in town." With labor demand relatively strong employers are willing to use all available labor market intermediaries to secure workers. Job qualifications are not rigid or inflated, and low and medium skill workers (like those in ES applicant files) are finding employment. In such an economic environment, the ES has a good opportunity to penetrate a greater portion of the job and applicant market.

In contrast, in an unfavorable environment the economy is stagnant and employment is static or declining, with commensurate high levels of unemployment. The proportion of the work force that is unionized and average earnings of workers are relatively high. Low and medium skill workers do not comprise as large a portion of the labor force as they do in favorable environments, although there may be concentrations of unskilled workers in the inner cities. A major portion of the state's population resides in large SMSA's, and population density is high.**

CHARACTERISTICS OF OPTIMIZING AGENCIES

We found that the three optimizing agencies had important institutional characteristics in common, even though they were in varying economic settings and came from three different regional clusters. The common features provide a plausible explanation of their more effective performance. With few exceptions, the optimizing SESA's manifested:

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*See Appendix I, pp. 203 - 5 for a more detailed definition of optimizing and sub-optimal performance.

**The methods used to define and categorize states according to productivity and environment are presented in detail in Appendix I, pp. 203-8.

1. A CLEAR, CONSISTENT SENSE OF MISSION

Public agencies often have ambiguous and conflicting missions. Government may assign an agency goals which are inconsistent. The President and Congress have a propensity to pile the new assignments on an organization without removing old ones or providing enough resources to perform all the missions at once. The employment service's swing towards and away from HRD and its acquisition of numerous enforcement functions in the last decade are illustrations.

We found that the most productive ES agencies were those which hewed most closely to a single goal, usually placement. While many SESA's had lost the support of employers and suffered internal disruption and morale problems during and after HRD, the optimizing agencies usually kept emphasizing mainstream placement right through the HRD period. This meant that fundamental goals remained unaltered and involved tasks compatible with the attitudes and capabilities of staff.

2. INSTITUTIONAL LEADERSHIP ABLE TO MOTIVATE STAFF

By "institutional leadership" we mean management which not only supervises routine functions but is also able to motivate an organization to achieve its substantive goals. Such leadership can come only from the handful of top career officials who set the tone for all levels of the organization.

We found that leaders in optimizing agencies tended to impart a clear sense of mission to their staff. They used their authority to convey this purpose, and other officials responded by identifying with them and the common goal. Continuity over time might be important, as in the case of one SESA director of long tenure who had put his personal imprint on his organization, but it was not essential. What did seem essential was a top cadre of knowledgeable, energetic individuals who shared a belief in the agency mission and transmitted it to all levels of the organization.

3. POLITICAL LEADERSHIP SUPPORTIVE OF THE AGENCY MISSION

The political appointees who serve as state agency heads or sit on SESA commissions rarely manage the organization actively, but they help determine whether the political environment is supportive or not. We found that the form of governance (single director or commission) mattered less than the attitude of the appointees toward their job and the agency.

In optimizing agencies, the political executives supported the career managers in achieving agency goals. The two groups worked easily together and exchanged ideas freely. The appointees also provided the agency with political protection. They intervened only rarely in operational details or personnel matters for partisan or personal purposes, and they had deflected intervention by others. Cooperation meant, not that the appointees had been coopted by the bureaucrats but that there was genuine agreement about goals.

4. LESS HIERARCHICAL ORGANIZATIONAL STRUCTURE AND FREER COMMUNICATION PATTERNS BECAUSE OF AN OPEN, EXPLORATORY STYLE OF TOP MANAGEMENT

We found that the style of top management directly affected organizational structure. Managers in optimizing agencies generally had an open, exploratory style and actively sought suggestions from their staffs. Compared to the managers of sub-optimal agencies, they opted for structures that were less rigidly hierarchical and that kept them in direct contact with more of their subordinates. They delegated operational responsibility more widely and fostered freer communication upwards and laterally in their agencies. Lower level managers knew they could speak frankly, propose changes and take initiatives, since enterprise and performance were likely to be rewarded.

5. HIGH QUALITY PROFESSIONAL STAFF

Optimizing agencies tended to have professional staff that were younger, more energetic, and better educated and trained than those in sub-optimal agencies. By background and temperament such staff were more likely to engage in systematic analysis of problems and opportunities. They had a fresher outlook which led to more inventiveness and less orthodoxy. They seemed better able to reach out for the cooperation of employers and other agencies in performing the agency's mission.

6. CREDIBILITY AT THE GRASS ROOTS

We found the local office and its manager were the key to an effective employment service. The productive office was an integral part of the social structure of the local community. The manager knew employers personally and understood the character of the work force well. He/she made the local office credible as a job exchange with both groups. The manager's knowledge and personal relationships enhanced the institutional credibility of the office, and this in turn enhanced performance.

7. GOOD WORKING RELATIONSHIPS WITH OTHER BUREAUCRACIES OF VALUE TO THE EMPLOYMENT SERVICE

Interagency relationships are often due to unplanned, historical factors such as long-standing friendships between agency heads or a tradition of administrative cooperation which is strong in state political culture. Individual officials in different agencies come to work together informally.

However, we found that institutional factors could encourage or discourage interagency cooperation. Optimizing agencies which had a clear sense of mission and an atmosphere of internal openness tended to reach out and encourage other organizations to participate in that mission. These agencies were analytic in deciding which external relationships would benefit them, and they were entrepreneurial in seeking them out.

Whether or not a SESA staff sought out cooperation with other agencies seemed to depend more on top leadership than on the formal organizational arrangements. If the leaders themselves engaged in interagency collaboration and generated incentives within the agency favoring cooperation, their staffs would respond. If they did not, changes in formal structure, such as the creation of super agencies which merged SESA services with other programs, were likely to have little effect and might even do harm.

Are these characteristics interrelated? We think so. If an organization has effective and dynamic "institutional leadership" and a clear, consistent mission, political executives will find it both unnecessary and more difficult to interfere in operational issues. They are more likely to adopt current goals and structure as their own and to protect the agency from external political intervention. An agency with these attributes has a better chance of attracting and retaining high quality staff, who, in turn, will engage in the kind of enterprising, out-reaching behavior that creates strong credibility at the grass roots. Finally, an agency with this kind of leadership and staff is likely to identify other organizations of potential value to it and cultivate relationships with them effectively.

CHARACTERISTICS OF SUB-OPTIMAL AGENCIES

The sub-optimal SESA's can be characterized roughly as the opposite of the optimizers. There were some exceptions.* As a rule, however, the sub-optimal agencies demonstrated qualities that clearly contrasted with those of the optimizers.

The most common characteristic was a more rigid bureaucracy structured to deal with business routinely and lacking open, catalytic leadership and an entrepreneurial spirit. Top management was often technically competent but unimaginative, over-cautious about change and unable to inspire enterprise in subordinates. There were more layers of bureaucracy in both the central office and the field than were in optimizing agencies. The agency was top-heavy in "overhead" staff, and the grass roots were starved for resources. Communications followed strictly hierarchical channels, and top administrators had fewer and less open contacts with lower level staff. Decision making was more tightly centralized, and subordinates were permitted little discretion or initiative.

The agency's mission had been ambiguous in the past, and a concern for survival--both organizational and personal--had become the primary value. In the absence of strong, fresh leadership the bureaucracy tended to follow lines of least resistance and permitted folkways of routine, compartmentalization and limited risk-taking to prevail.

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*One SESA in our sample exhibited virtually all the optimizing characteristics just described except for a clear, consistent sense of mission. Because of a strong commitment to HRD, there was internal tension between these goals and the placement mission currently stressed by national policy. This ambivalence and a continuing diversion of resources to HRD tasks caused the agency to do poorly in productivity results. Thus it ranked as a sub-optimal SESA by our definition, in spite of generally optimizing organizational qualities.

Political intervention was likely to be more frequent, in some cases affecting personnel and office location decisions intensely. Incentives to perform well were blurred, since advancement seemed tied to other criteria--in some cases partisan affiliation, in others seniority. Under these circumstances, there were also few incentives to recruit better staff, reach out to the grass roots or engage other agencies collaboratively. Organizational autonomy became an end in itself. The ES became increasingly isolated as professionals in other agencies and potential clients decided that it was out of date, rigid and worthless for their purposes.

While this is a dismal picture, it is not a hopeless one. Many of these flaws seem correctable. In only one or two cases did the pattern of failure appear intractable, because it was deeply rooted in a state political culture which itself would require massive change before the SESA could be reformed.

THE INTERACTION OF ORGANIZATION AND ENVIRONMENT

The above analysis assumes that institutional factors are largely independent of environment. However, we found reason to think that economic setting influenced not only a SESA's placement potential but also its institutional characteristics.

It is clear, of course, that optimizing SESA's do not automatically develop in a favorable environment; four of our sub-optimal agencies were in such environments. But it does seem reasonable to suggest that the dominant bureaucratic patterns of an optimizing agency can be reinforced by an expanding economy and a less complex social setting.

An optimizing agency with an entrepreneurial spirit and the job exchange mission clearly in mind may take particular advantage of a growing economy. Jobs are increasing, and there are new employers who can be cultivated. Opportunity reinforces enterprise since effort results in prompt, tangible success. In most cases scale remains small enough so that organizational strategies based on personal relationships between "friends and neighbors" can work. Everything is not swamped by impersonality. By the same token, it should be anticipated that such an agency may find it more difficult to maintain its optimizing behavior as its state becomes more populous, urban and industrial, and as economic growth begins to slow.

The fact that there are sub-optimal agencies that do fail to take advantage of favorable environments suggests that institutional behavior can at times overwhelm environmental factors in determining productivity. Political and organizational forces have an influence of their own. This should not be grounds for discouragement because if institutional factors can be changed, the favorable external environment will quickly reward the improvements. Institutional development would thus be encouraged to proceed further in the likelihood that those efforts, too, would be rewarded.

It seems clear that institutional characteristics can also make a difference even in an unfavorable environment. There are, in fact, several state agencies in unfavorable environments that statistics show to be optimizing performers. They make more placements than expected given their environments, even though their absolute placement productivity is much lower than SESA's in favorable environments.*

One such agency was in our sample. It exhibited many of the same institutional characteristics as the two optimizing agencies that operate in favorable environments. Its political and professional leadership worked well together in behalf of common goals. Staff quality was exceptional, and considerable initiative was given to the local units. Many tasks were complicated by the state's and the agency's massive size as well as by sprawling metro areas and slow economic growth. But the analytic and enterprising ways that problems and opportunities were being addressed were strikingly similar to behavior in the other two optimizers. All this seems to have been reflected in the large SESA's placement performance.

However, an environment may be so unfavorable that a SESA may see the exertions involved in institutional improvements as unwarranted by the likely benefits. This may be the case in some Northeast states with aging industrial bases, stagnant economic growth and severe social problems. Determined leadership may still bring about changes in such SESA's, but progress toward optimizing may well be more difficult than in favorable environments. Our findings suggest ways in which SESA's, even in these disadvantageous settings, can reorganize and improve their performance.

The following chapters set out these findings in detail. Chapter II discusses the internal organization and mangement style of SESA's; Chapter III and IV, the influence of SESA linkages to other agencies and state and local politics; and Chapters V and VI, the influence of the Regional and National Offices. From these findings, Chapters VII and VIII generate recommendations for change and for further research.

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*See Table IX, p. 208.

II. INTERNAL ORGANIZATIONAL STRUCTURE OF STATE AGENCIES

SUMMARY

The internal organizational characteristics of SESA's had clear connections to performance.

ES performance was largely unaffected by whether the program was housed in state departments of labor, employment security agencies or loose "umbrella" agencies. However, the one ES that had been merged with social service programs in a "super agency" had suffered serious problems.

SESA's headed by multi-member commissions experienced less political intervention and more continuity of leadership than those headed by single appointees. However, the commissions experienced more delays due to the absence of members and conflicts often arising from unemployment compensation issues.

High performance by a SESA was associated with the following structural features:

- ***A relatively wide span of control*** *compared to sub-optimal agencies.*
- ***Relatively few organizational levels*** *from the central office to the delivery level.*
- ***Extensive delegation of authority*** *and responsibility to low levels in the organization. This characteristic, which was associated with an open, participative management style, may be more necessary in the future because of computerization, a younger ES workforce, and the desirability of replacing large local offices with more numerous smaller ones.*
- ***Small rather than large local offices.*** *Optimizing agencies avoided the large offices often found in metro areas in sub-optimal agencies.*
- ***Low overhead,*** *with relatively few personnel committed to administrative or non-service-delivery positions.*

High-performing agencies had informal structures that were well-developed and congruent with their formal organization. There was good communication, not only from higher levels to lower, but from bottom to top, and laterally among district offices.

Optimal agencies were more adaptive to change and more analytic than sub-optimal agencies. Their capacity for planning, evaluation, and resource allocation was generally well-developed. They tended to anticipate new challenges rather than reacting passively to them. They assessed Federal directives critically rather than either accepting or resisting them automatically.

Administrative theory suggests that the search for a single ideal organization structure is a hopeless one. Plausible precepts such as "unity of command" or "specialization" often conflict with each other--offering little clear guidance. Unity of command precepts, for example, suggest that ES employer relations staff should answer directly and exclusively to their local office manager. The principle of specialization, however, prescribes that they should be organized into a separate area-wide unit and that their superior should be a specialist in their own field rather than a generalist manager. Speaking generally, either choice has clear advantages and disadvantages. Which should govern structure most strongly depends on the particular organization and its needs.*

This chapter summarizes our observations about the internal characteristics of the nine state employment services in which extensive field work was conducted. It describes the range of variation found among them and discusses causes and effects of these variations.

We begin with various aspects of formal structure, including organizational location, form of governance, span of control, organizational distance, delegation of authority and division of labor. The discussion examines how these elements may be influenced by management style and by changes in ES service delivery technology, work force, and local office structure. Finally, we consider the implications for SESA's of different informal structures, communication patterns and attitudes toward change.

A. ORGANIZATIONAL LOCATION

"Organizational location" and "governance" relate to the nature of the overall agency in which the ES is located. Our sample included four different types of host agencies:

- One super agency delivering welfare, vocational rehabilitation and other social services as well as employment security services through a single, unified chain of command and often integrated local offices.
- One umbrella agency responsible for much the same range of services as the super agency, but delivering them through separate bureaus operating separate service delivery units and seeking coordination primarily through top, state level administrators.
- Two labor departments which carry out various DOL-related functions such as occupational safety and mediation, but in which the employment security functions comprise the bulk of the budget and staff.
- Five agencies essentially carrying out employment security functions only (essentially, ES and UI).

All but one of the five employment security agencies and one of the two labor departments were governed by a politically appointed commission.

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*See Herbert Simon, Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations, Third Edition (New York, 1976), pp. 20-44.

The rest were administered by a single gubernatorial appointee, usually of cabinet rank.

The very different impact on the ES of the first two types of organizational locations--super agency and umbrella--is of particular interest, since similar consolidations involving employment services are being considered or undertaken in other states. Furthermore, much recent or proposed state and Federal government reorganization has involved collecting or integrating bureaucracies through such structures. While generalization on the basis of only two cases would be imprudent, it would also be a mistake to ignore the experiences of our two sample ES's with these different structures.

The stated purposes in creating the super agency we visited were: (1) a narrower span of control for the governor and the legislature; (2) better coordination of related programs; (3) one-stop service for the citizens; and (4) possible cost savings.

The result of creating a fully unified chain of command and a network of presumably integrated multiservice centers was institutional disaster for the ES. By integrating the organizational structure from the central office to the field, extra layers of bureaucracy and additional clearance points for communications were created. The longer communications lines alone would have caused increased command and feedback difficulties. But, in addition, officials from other programs such as Welfare and Vocational Rehabilitation were now interposed in the chain of command between the ES program experts in the central office and the ES staff in the field. These individuals had no experience in employment security, and some of them made no secret of their low regard for employment security functions.

Central office program experts were effectively cut off from ES service deliverers. Policy direction and technical guidance became non-existent, and central office morale and competence plummeted. Since all chains of command were unified, no individual with specific accountability for ES performance was clearly identifiable above the level of ES supervisor in the local, multiservice offices.

At the local level, integration involved moving welfare and vocational rehabilitation units into SESA office space. The resulting crowding and dislocation, as well as differences in style, mission and clientele caused considerable friction, nullifying some of the intended benefits of improved coordination between programs. In the name of integration, an attempt was made to train and use some ES staff for welfare or vocational rehabilitation work and vice versa. The wholly different orientation of cadre in the various programs caused the experiment to fail.*

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* A similar experiment, on a much smaller scale, had been conducted in California. A two year experimental project was done to determine the feasibility and desirability of consolidating employment security and vocational rehabilitation programs. The project involved the collocation of three ES and vocational rehabilitation field operations. Unified management was attempted in these experimental offices. A major conclusion of the project was that the departments should not be merged. See Roberts, Mitchell, Mayall and Aller, Co-location of Employment and Rehabilitation Services: An Experiment as a Conflict Resolution Strategy, Center for Applied Manpower Research, Berkeley, 1976.

Full integration also involved submerging the ES's identity within that of the super agency. Clients had difficulty finding the ES unit within the integrated offices. To employers and job seekers alike the integrated offices seemed filled with public aid recipients, and the ES quickly became synonymous with welfare in the public mind. Workers who had taken pride in being ES employees now hesitated to identify the agency for which they worked for fear of being stigmatized. Morale declined seriously.

Taken together, the effects of being located in a human resources super agency had a disastrous impact on the ES. Over a three-year period its comparative national rank in productivity fell from the top ten to the bottom half.

Experience also proved that most of the initial objectives of the reorganization were elusive. As noted above, improvements in coordination were limited by the animosities between programs which were forced together. Cost savings were non-existent, and productivity declined not just in the ES but in other programs as well. Finally, experience showed that ES clients, at least, were rarely interested in more than one other program, and that was usually UI. For those clients, multiservice units (beyond collocated ES and UI) had little relevance.

In contrast, the umbrella agency, despite discontinuity of leadership and problems of scale, demonstrated few adverse effects from the looser form of confederation with other human service bureaucracies. The objective of narrower span of control for the governor was still achieved through the cabinet-level agency secretary. At the time of our visit coordination of policy was achieved, where necessary, through interaction between the secretary and his subordinates, the directors of the SESA, welfare, vocational rehabilitation and other departments. The problems of poor communication, lost organizational identity, blurred mission, the mingling of resources, increased inter-agency animosity and declining morale caused by the integrated super agency structure were fewer in the umbrella agency. From an institutional point of view, the experience of these two states suggests the umbrella structure is clearly preferable.*

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*While the current secretary of our sample umbrella agency has played mostly a coordinative and supportive role for agency departments, this has not always been the case. A previous secretary had achieved considerable control over the departments in this agency which limited the autonomy of individual department heads. While programs maintained separate lines of authority and were not collocated in the field, the umbrella agency during this period came close to the centralized control found in the super agency studied.

The effect on ES performance of the other two configurations--labor department and employment security agency--seemed minimal. Both labor department ES's fell into sub-optimal performance categories, but for reasons unrelated to organizational location. The five ES's in employment security agencies split three-two between the optimizing and sub-optimal categories. While theory might suggest that the organizations with a narrower mission and simpler structure (employment security) would function better, our observations neither supported nor contradicted that. With the important exception of the super agency, organizational location appeared to have little significant effect on ES productivity or internal characteristics. Furthermore, as noted on page 10, the ES's effectiveness in coordinating with other bureaucracies seemed largely unrelated to organizational location or overall state government structure.

B. GOVERNANCE

All of our sample SESA's were headed by either a single appointee or a commission of several appointees, named by the governor or the legislature. The single-headed type of agency is often viewed as more "modern" than the multi-member commission. The single head is thought to be more clearly accountable to the governor and, through him, to the public. He is also thought to be in a better position to govern vigorously because he need not compromise with other appointees. Many recent reorganizations of state government--including some SESA's--have aimed to replace the commmission with a single official.

However, in three of the five SESA's headed by a single executive, we found that the executive's close ties to politics led, in practice, to relatively frequent political intrusions into ES operations. This took the form of serious personnel dislocations when the governorship changed hands or there were changes in policy emphasis, or both. (See pages 54-6.)

The fact that the single executive governed alone meant leadership suffered more discontinuity when appointees changed than was true with commission governance. Two SESA's headed by single executives had been subjected recently to nearly annual changes in agency chiefs. This led to repeated shifts in management philosophy and priorities as well as leaderless periods under interim chiefs or while a new appointee learned the job.

Political interference and continuity problems were less prevalent in ES's headed by commission structures. In most cases, commissioners' terms were staggered and often six years long. Hence, even with turnover, a majority of the commission usually had at least two years experience.

According to several commissioners, they spent over half their time on UI matters, especially appeals, and confined their ES functions to routine approval of staff proposals on budgets, personnel policies and operations. As one commissioner said, "If the administrators say, 'this is something we can do and should do,' that's it in ninety-nine percent of the cases." The discontinuity of commission membership was offset by the continuity of administrative leadership. In three of the four commission-structure ES's the top administrative position had been occupied by the same individual for many years or a succession of individuals who had worked closely with their predecessors. Policy, procedures and managerial style had remained relatively unchanged.

In the remaining ES, the executive administrator appointed by the commission was playing an active role in ES administrative and operational matters because of ineffective career leadership in the ES division. He was not interfering with the UI division leadership. This had interrupted continuity in the ES division, but in this case, the costs of greater discontinuity seemed worth paying for a change in direction.

The degree of political interference in personnel matters and operations was notably less in the commission-run SESA's, although there was considerable variation. That variation was largely caused by the interplay of two factors--the personalities of commission members and the posture of the SESA's top level career officials. To be sure, the possibility for operational involvement and interference exists in the commission structure. The commission, like the single executive, has the statutory power necessary to exert its will. The latent authority is there. However, in several commissions where one member did seek to interfere in management, his colleagues restrained him. In fact, commission chairmen, with one exception, tended to moderate if not minimize political influences on their SESA. In some cases (see page 53) their status as powerful political personalities in their own right helped them to insulate the SESA from external political influences.

Not surprisingly, in SESA's where career leadership was experienced, vigorous and had cordial personal relations with the commission, the commission generally took a more passive, supervisory role. This seemed particularly true in SESA's where civil service systems or a tradition of ES professionalism were strong. In such cases it was clear that top career officials played the "lead" role; several, in fact, described their relationship to the commission as that of a "tutor." Even in these agencies, however, individual commissioners with activist personalities or a determination to use the agency for political ends could override the general pattern of restraint.

The commission form also had disadvantages. Several commissioners reported that decisions were often slowed down by the need to reach decisions collectively or by the absence, illness or vacancy of members. In addition, stalemates sometimes occurred because most commissions are structured to include one labor advocate, one business advocate and a public member. While these disputes usually arose over UI issues, their effects often spilled over to adversely affect the unit's efficiency in dealing with ES concerns as well.

Proficiency in coordinating ES activities with those of other, external bureaucracies seemed largely unaffected by the form of governance. While, theoretically, such coordination should be greater in states where the SESA chief is a cabinet-level official able to coordinate the organization's activities with a handful of other cabinet secretaries, this was not necessarily the case. Several of the single executive type SESA's had good linkages with other relevant agencies, but several did not. Conversely, half the SESA's operating under semi-autonomous commissions, had close and highly developed linkages to other agencies, while half did not. Interagency coordination seemed far less dependent on structure than on the agency's perception of the benefits of such relationships, as well as leadership philosophy and the overall culture of government (see pages 63-4).

What is surprising about these observations is that, contrary to recent trends in public administration, the presumably "archaic" commission structure seems as serviceable as the single executive--at least for employment services. On the one hand the commission structure seems to provide greater continuity of leadership and apparently moderates operational intervention by political appointees. On the other hand it appears more vulnerable to inefficiency and delays which the single head structure may avoid. Which structure is preferable is thus largely a matter of circumstance. Where career leadership is competent and productive, the commission approach seems best. However, as the example mentioned on page 36 suggests, a break in continuity and vigorous intervention by a single politically-appointed executive may be precisely what a stagnant, poorly performing ES needs.

C. CONCEPTS OF STRUCTURE

In the following analysis we have focused particularly on four elements of formal structure:

- Span of control of the key decision maker (usually the SESA administrator but in some cases the ES director, depending on who our interviews indicated actually ran the ES).

- Organizational distance, the number of individuals through which messages must pass to get from the key decision maker to the line operations and vice versa.

- Delegation of authority, especially the point in the organization at which the bulk of discretionary operational decisions are generally made.

- Specialization and division of labor, particularly the way in which the ES and UI functions are organized and how the service delivery system is structured.

We concentrated on these elements for two reasons. First, the four together largely define the formal communication and decision making patterns of the organization. Second, in each of the four there were observable differences between the optimizing and sub-optimal ES's. In the optimizing SESA's the key decision maker's span of control was broader and the organizational distance between him and local operations was shorter. Delegation of authority went farther downward in the organization than in the sub-optimal agencies. Those ES's that optimized best appeared to have a lower proportion of their total staff in administrative, support and other "overhead" positions. They also demonstrated a notable preference for dispersion of their service delivery staff into relatively small offices.

SPAN OF CONTROL

The number of subordinates reporting directly to the key decision maker varied in our sample from a low of four to a high of twelve. The two broadest spans of control (twelve and nine) were in optimizing SESA's in favorable environments.

These figures were taken from organization charts and interviews. In some instances, our interviews and observations found a different number of subordinates reporting to the key decision maker than organization charts indicated. For example, in no case did an organization chart indicate that district or area managers reported directly on a regular basis to the key administrator, yet in two of the optimizing SESA's that was in fact the case. In the third, a far larger state, scale of operation and geographic distance made that infeasible.

Conventional management wisdom usually prefers a relatively narrow span of control for senior managers. A span of not more than a half dozen is often advised. But as organization theory suggests, a tradeoff is involved. On the one hand a narrow span minimizes the burden on the executive but limits the regular sources of feedback and advice. On the other hand a broad span imposes more time-consuming responsibilities for communication but keeps the manager in more direct personal contact with field operations. Both direction and feedback will be faster and more accurate if the executive is willing and able to carry the additional workload. If not, the result may be loss of control. A broader span may also have some morale benefits since more individuals in the organization are in direct contact with the director. Experience in our sample states suggests that the leaders of more successful ES's tend to favor a wider span of control.

ORGANIZATIONAL DISTANCE

Organizational distance between the leader and the service delivery point was noticeably shorter in the optimizing than the sub-optimal ES's. In two of the optimizing SESA's there was effectively no intervening layer of bureaucracy between the operating head and the district managers. In the third, there was one intervening layer. Conversely, in all the sub-optimal ES's with one exception, there were three layers between them, usually within the state central office bureaucracy itself. The implications of these variations in terms of speed and accuracy, both in giving directions and receiving feedback, seem obvious.

Scale influences organizational distance. It may not be feasible to have direct contact between top decision maker and district manager in states the size of Texas, New York or California. Nevertheless, of the four "megastates" in our sample two had only one intervening layer, while two others had three. Thus, while scale may partly condition organizational distance, it remains somewhat susceptible to administrative control.

DELEGATION OF AUTHORITY

Our perceptions of variations in delegation of authority were clouded by two factors: our findings were necessarily impressionistic, and generalizations are difficult. Within the same ES, authority for different types of decisions is located at different levels. The level at which decisions are made can vary from district to district within the same organization. Sometimes, a decision may be formalized at one level in the organization after having been made, in fact, at a different one. On some matters decisions may be shared between levels.

FINDINGS

Nevertheless, a review of our interview notes suggests discernible differences from state to state. As a rule, optimizing agencies favored greater delegation of authority and responsibility downwards than did sub-optimal agencies. This was true at three major levels of the organization: within the central office, in relations between the central office and lower levels, and within the local office.

The ES directors of all three of our optimizing SESA's delegated authority extensively to their immediate subordinates in the central office. In one case--a very large state--the subordinates were necessarily less involved in central office deliberations than was possible in the other two instances, both fairly small states. But even in this case, the director tried to get around the limitations of formal reporting channels by employing various informal communications techniques.

These three agencies also manifested a relatively wide span of control at the top of their organizations, but in other states a wide span of control did not always indicate extensive delegation. In one sub-optimal SESA from the Southeast the assistant ES director had ten subordinates reporting to him but did not delegate authority to them. His insistence on deciding even minute details of field operations created a decision logjam at his organizational level.

Among the five other sub-optimal SESA's, patterns of delegation within the central office varied. In three, discretion was noticeably more confined than in any of the optimizing agencies.

Differences were also apparent in delegation below the central office level. The optimizing SESA's tended to delegate responsibility for operational decisions (such as hiring, local staff utilization, client flow and office space) further down than did sub-optimal agencies, in most cases to the local office manager. In two of the three optimizers, this was an explicit part of the key decision maker's management philosophy. In the third, a very large ES, most local managers had substantial latitude, but the degree varied with the management style of the district or area managers in different parts of the state. Broad responsibility was delegated to the local manager in only two of the six sub-optimal ES's. In the others, control was held at higher levels, particularly in metro districts.*

This general contrast was complicated by the tendency of most states --both optimizing and sub-optimal--to delegate responsibility to the local-office level in non-metro areas but only to the district level in metro areas. One reason for the difference was that district offices were usually closer to local offices in metro districts than in non-metro ones and hence were able to exert more authority over them. Another reason was that metro offices tended to be the least productive, and district offices were under greater pressure from the central office to supervise them more closely than offices in non-metro areas. For the same reasons, districts that included both metro and non-metro offices tended to supervise the former more closely than the latter. As the supervising interviewer of one high producing, outlying office put it: "If you make your numbers, they leave you alone. They don't care, if you are out in the boondocks."

In spite of this cross-cutting pattern, our findings suggested that greater delegation of authority was generally associated with higher performance. Metro districts that delegated more extensively also seemed to perform better. For example, in one Northeastern state we found two metro districts with generally comparable economic and social environments but very different attitudes toward delegating authority. One district manager made a point of letting local office managers and supervisors make independent decisions within broad limits, while the other made most operational decisions for them. The first district had 88 percent higher productivity than the second. While some of this difference may have been due to subtle economic differences between the two areas, observers both inside and outside the agency attributed most of it to the difference in managerial discretion.

Within local offices, managers might either delegate authority to their unit supervisors or centralize control over the office's operations. We found no consistent performance relationship with either approach--there were low and high performers in both categories. For example, in one small office a previous manager had permitted her staff little discretion, taking upon herself the sole responsibility for making decisions. She also maintained a rigid chain of command within the office. This office had been one of the highest producers in the SESA for some years.

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*In this report, "local office" is used to mean the lowest-level, service-delivery ES office. "District office" means the administrative level standing between the local offices and the central office. In the largest state in our sample, there was an additional level--the "area office"--between the district and the central office. The actual terminology may differ between states. In one state, for example, what we call a "local office" was called a "district office."

Upon her retirement, a more participatory, much less authoritarian manager was put in charge. During the change of managers many of the office's previous staff retired and were replaced by younger workers. The previous staff had been accustomed to rigid accountability and close supervision and had performed well. The new, younger staff responded just as well to increased individual responsibility and looser supervision. The office's tradition of high placement productivity was carried on by the new manager and staff.

Such a pattern appeared to hold true in other local offices studied. It suggests that either delegating authority or strong centralized managerial control may work well within a local office so long as management style and staff characteristics are complementary.

DETERMINATION OF DELEGATION

The job of the top executive is not to make all decisions but to assure that subordinates make decisions as he would. Thus, the question of delegation becomes largely a question of how far down in his organization he can have confidence that decisions will be made as he would wish. An organization spreads the decision making load optimally if discretion is assigned downward to that degree--no more, no less. Any less is inefficient; any more and the desired uniformity of procedures and service delivery may be lost. The organization is out of control.*

An objective judgment about the appropriate degree of delegation may be reached by analyzing three factors: (1) the nature of the organization's task, (2) the constraints of scale, and (3) the characteristics of the work force. Studies conducted by Andrew Van de Ven of the Wharton School indicate that the variability and difficulty of a group's task determine the appropriate degree of discretion. The more variable and complex the task, the more discretion required for efficient functioning. Research which uses Van de Ven's methodology has shown that the ES placement function (as conventionally conducted) is lower in variability and difficulty than other social services.** This suggests that, at least at the lower levels of an ES, routinization, a relatively structured work place and a hierarchial, centralized decision structure may be most appropriate.

Scale, however, imposes limitations on the application of this conclusion. Tight central control of all operations by a small cadre of executives may be feasible in a small organization. But a similar approach in an ES with several thousand staff and a hundred offices dispersed across a large state has shortcomings. The time and information costs of centralized control become heavy. While part of the dilemma may be addressed through standardization and routinization of tasks and processes, the capacity to understand and react to immediate, local situations is unavailable. Effectiveness and efficiency suffer.

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*See Simon, op. cit., pp. 154-171.

**Roberts, et al.; and Andrew Van de Ven, et al., "1972 Organization and 1973 Productivity of District Office Units in Wisconsin Job Service Division," Wisconsin Job Service Division, 1975.

Finally, research on generational differences in workers' attitudes and our own observations in ES's suggest that efficient delegation of authority must be partly determined by the character of an agency's work force. With a work force of older workers who are used to a routine and unaccustomed to much discretion, a change to increased discretion might be inefficient and uncomfortable. On the other hand, an agency with a younger, more highly educated staff, might find it imperative to decentralize authority. With such a staff, broader involvement in decisions might not only be a stimulus, but might also be essential if their loyalty and productivity were to be sustained.*

IMPACT OF MANAGEMENT STYLE

In theory, these three objective factors--task, scale, and nature of work force--should determine the degree of delegation of authority for a particular organization, and hence the appropriate organizational distance, span of control, and division of labor. In practice, a fourth, more subjective factor often has as much or more influence--the management style and philosophy of the organization's top leadership.

Top management sets the tone for the organization's style and climate. A manager's style is generally understood to be a function of education, work experience, personality, values and cultural background.** These influences are manifested in how human nature is viewed in general and the organization's work force in particular. They determine in greater part what he believes is operationally most efficient for his agency.

If he perceives people as generally reluctant to work, requiring both close supervision and external sanctions for motivation, the manager centralizes power and establishes a rigid hierarchy. He strives for a unilateral, authoritarian top-to-bottom control by establishing detailed operating instructions, limited spans of control and straight lines of authority. To assure compliance with the organization's objectives, close monitoring procedures and detailed rules for subordinate decision making are developed.*** This has been called "X" type management style.****

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*John Child, "Managerial and Organizational Factors Associated with Company Performance," Journal of Management Studies, Vol. 11 (Oct. 1974) and Vol. 12 (Feb. 1975).

**Harold Seidman, Politics, Position, and Power: The Dynamics of Federal Organization (New York, Oxford Univ. Press, 1975 ed.); pp. 121-132; and Gordon Tullock, The Politics of Bureaucracy (Washington, Public Affairs Press, 1965), pp. 36-38.

***James G. March and Herbert A. Simon, Organizations (New York, John Wiley and Sons, 1958), pp. 6-7, 37-40; and Herbert A. Simon, Administrative Behavior (New York, 1976), pp. 234-236.

****Douglas McGregor, The Human Side of Enterprise (New York, McGraw Hill, 1960).

The opposite of "X" management is called "Y." This style assumes that a work force may be motivated by job satisfactions other than remuneration or the avoidance of punishment. It presumes that giving a worker greater responsibility increases his organizational loyalty and stimulates achievement through increased individual initiative. There is less direction downward and more collective problem solving. Greater variety in operations and behavior are permitted. Overall compliance with basic objectives is achieved through orientation and retraining strategies and less through detailed instructions and tight supervision. Relationships across different levels of the hierarchy are less military, more relaxed and informal. That hierarchy tends to be flatter, and delegation of authority tends to be greater.*

The complex interplay between different management philosophies and "objective" considerations such as scale, task and staff characteristics led to different organizational structures. In several cases, it seemed clear that deeply held management attitudes had overridden other considerations. In other cases there appeared to be a good "fit" of all these factors.

In principle, neither style of management and organization is necessarily more productive or efficient than the other. Each embodies a consistent approach to management and administration, and each could lead to high performance. It is easy to think of high-performing organizations set up on an extreme "X" basis (military combat units) as well as a very "Y" basis (think tanks).

However, our findings suggested that in the employment service a relatively "Y" style of management and organization was usually associated with relatively high-performing organizations and an "X" style with relatively low-performing ones. This conclusion must be viewed with caution because of the small size of our state sample, but it agrees with the conclusions of other research.*

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*Our field work showed that Y-style management may or may not be associated with a clear system of accountability. In one ES, latitude extended not only to operational decisions, but to fundamental organizational objectives. Many workers and managers perceived themselves as delivering social services rather than placement services (see page 42). Not only was little operational control asserted, but accountability in terms of performance was limited. The result was sub-optimal performance in terms of placements.

In contrast, two other ES's in our sample combined a "Y" style with clear accountability. There was clear agreement on the organizational objective--maximizing placement. Higher level managers did not assert control over operational details, but they did hold lower level personnel accountable for placement performance. In both agencies, they did this by translating the RAF into office-by-office objectives. Hence, each service delivery unit had broad discretion to operate as it chose, but at the same time each was held clearly accountable for the "bottom line."

"X" and "Y" management style also were associated with other management attitudes important to organizational performance. In the agencies we studied, managers with a "Y" style often tended to adopt what we have called an "entrepreneurial" approach to achieving organizational goals. Their attitude to their work was similar to that of a self-made businessman. They gave to their work whatever time and energy was necessary to accomplish the agency's goals, not simply what the formal obligations of their job required.

They usually were heavily committed both to problem-solving within the organization and to personally marketing the agency's services to external constituencies--employers, job seekers and the general public. They actively sought out new opportunities for their organizations, rather than waiting for them to appear. At the same time, they were flexible about how to do this and open to feedback and suggestion from both inside and outside the organization. Importantly, their subordinates had absorbed these attitudes and emulated them, often without explicit instruction.

Conversely, managers with an "X" style frequently tended to take a "custodial" stance toward organizational objectives. They viewed themselves as stewards, not entrepreneurs. Their goal was to protect an established agency's structures, personnel, and resources, not use them in innovative ways to achieve higher performance. In an adverse economic environment and a contentious political atmosphere, these priorities led to a preoccupation with bureaucratic survival. While custodial managers often performed their assigned tasks competently, their commitment and abilities rarely extended to the overall, creative leadership of the organization. Like entrepreneurial managers, custodial executives tended to communicate similar attitudes to their staffs.

FUTURE DELEGATION

For the future greater delegation of authority seems inevitable, and preparation for it should thus be given a high priority. The reasons include implementation of computerized job matching in local offices, the changing generational character of ES staff, and the desirability of dispersing large local offices into smaller units (a point developed on page 32).

Our observations of DECAL** experimentation suggest that computerized job matching may require the following:

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*Extensive survey research conducted by the Wisconsin Job Service demonstrated a positive and significant correlation between the performance of local offices and several parameters of management style and organization. High-performing offices allowed staff more discretion, interaction and interdependence than low-performing ones. They also had more extensive formal and informal coordination. See Andrew Van de Ven et al. (1975).

**Detailed Computer Assisted Language. This job-applicant matching system, along with the Job Analysis Vocabulary (JAV) system, are the immediate experimental forerunners of the Job Service Matching System (JSMS).

- Greater autonomy for local offices to experiment with unit and staff configurations, client flows and procedures to fit their particular labor market conditions and staff characteristics.

- Increased local office staff participation in problem identification and solving, adaptation to change, and acceptance of more discretion and responsibility.

- Greater ability by supervisors to anticipate problems and initiate changes to forestall them.

- Greater delegation of responsibilities from the local manager to supervisors, and from supervisors to service delivery staff.

- Greater interaction among intake, placement and job order taking staff and thus less rigid delineation among units.

- More frequent training for staff.

The nature of the placement function as carried out in a computerized job matching office is such that traditional supervision from above is far less effective than in a manual operation. Placement interviewers and other local office staff must be far more precisely trained beforehand. Task variability and complexity are notably increased. A new type of highly specialized competence is required.*

Our DECAL findings are supported by other research findings and theory. As suggested earlier, these indicate that task difficulty and variability define optimal organizational structure in terms of (1) the degree of specialization, (2) the level of standardization, (3) the degree of discretion and (4) the required levels of expertise.** Computerized job matching operations increase task difficulty and variability but also lead to less specialization and standardization and more staff discretion and expertise. Such operations must therefore be carried on by increased staff interaction, interdependence, and individual discretion. In short, supervisors of job matching operations should be more Y-oriented in their managerial style.

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*A number of factors in a Job Service Matching System (JSMS) operation contribute to increased task variability, difficulty and interdependence and thus a need for increased staff discretion and expertise. The idea that "the machine replaces the interviewer" is a widespread misconception. In effect, the computer instead creates more professional staff time by doing the tedious and routine jobs. Thus interviewers shed current clerical functions and spend more time on professional activities. While the computer makes matches based on the best fit between keyword descriptions of applicants and jobs, the interviewer still must make a judgment on whom to refer.

Keyword assignments made by ES staff are therefore critical to the matches generated by the computer. The keywords used by application takers and job order takers must be compatible. Consistent and uniform coding requires extensive training on the keyword vocabulary and increased staff coordination and interaction. Completing applications for JSMS is more complicated but permits more precise characterizing of applicants than traditional procedures. In addition to DOT codes, applications are characterized by occupational keyword, worker traits and non-occupational factors. The difficulty of this task and the need for coding uniformity is further complicated by the current 3200 keyword vocabulary.

Staff in JSMS offices would also have more options available to them in providing placement and other services. These include expanded search techniques and new methods for modifying job orders and identifying likely job development opportunities. All of these new subsystems increase the task difficulty and variability for local office staff and strongly imply that the skills and discretion of staff must be increased.

**See Van de Ven, et al., 1975; and Roberts, et al., 1976, pp. 36-58.

In addition, we were told by managers of computer matching offices that veteran staff make the adjustment to the computerized system far less successfully than relative newcomers, especially those new staff with college training that has exposed them to computers. This leads to the second point, about generational change.

As retirements occur, ES's are likely to become increasingly populated by a younger generation of staff, with better educational backgrounds and with somewhat different attitudes toward work and job satisfaction. Y-style management may well be necessary. As indicated on page 26, part of that change in style is likely to include greater delegation of authority to lower levels of the organization. Some of those ES's which became most deeply involved in HRD in the sixties and brought in significant numbers of young graduates suited to that mission most clearly exhibit this tendency. But, even in several SESA's that did not fully develop HRD, younger workers exhibited the same restiveness with organizational rigidity and a tendency to perform better when given some degree of responsibility and flexibility, for example, in the relative freedom of mini-offices or satellites.

These observations are coincident with other research on generational differences among workers. In general, younger staff in organizations are better educated than their older colleagues. They tend to be receptive to work environments where authority is more a function of expertise and knowledge than formal rank, where responsibility is delegated farther downward and where problem solving and decision-making processes are participatory. In contrast, younger workers tend to be alienated in rigid, tightly controlled organizations with high standardization and routinization of tasks. Younger, more educated staff respond to such environments with resentment.

The pace of ES restaffing will likely vary from state to state. There may be regional variations, with the rate of change in the Southwest and the South perhaps slower. In such states, selective recruitment, for example, of former career servicemen who are more accustomed to more authoritarian structures and routines, could slow the rate of change. So might adverse economic conditions which limit the alternative job opportunities available to dissatisfied ES workers. But the long term outlook seems fairly certain. This is another compelling argument for a broad strategy of institutional development, if the USES is to be a viable institution in the years to come.

A third major reason for greater delegation of authority in the future could be the replacement of large local offices by more numerous smaller offices, a recommendation made by this report and discussed later in this chapter and Chapter VII. Such a step would be congruent with the other two reasons for greater delegation of authority in the future.

SPECIALIZATION AND DIVISION OF LABOR

Three points were of particular interest to us: (1) how the SESA's structured their two main employment security functions, ES and UI; (2) how they structured service delivery systems; and (3) how they utilized ES staff.

ES-UI

At the outset of the study, the question of the organizational relationship between ES and UI seemed of paramount importance. National Office and Regional Office staff often expressed deep beliefs about the "proper" way to organize the two functions. The predominant view was that separation of the two functions from top to bottom was best. While the historic reasons for this preoccupation are understandable, our field work persuaded us that the choice between combined and separate ES and UI operations should be largely a state level decision based on local circumstance.

We visited one state where the ES and UI were completely unified. Substantial resources had been spent training all service delivery staff for both functions and developing receptivity for the unified approach. Service delivery staff almost unanimously saw their cross-training as an asset rather than a burden. Increased costs associated with cross-training staff were perceived to be offset by greater flexibility, easier exposure of UI claimants to placement possibilities and greater staff satisfaction at "being able to do more to help a person." UI claimants were reportedly served in a timely and competent fashion, especially when compared to several neighboring states. The stigma of "the unemployment office" was largely avoided since the ES function was given high priority and visibility and was generally performed in an "applicant-oriented" fashion in attractive offices. Although ES managers sometimes irritated employers by their adjudication decisions, the problem did not seem to affect productivity.

Two of the three optimizing SESA's maintained entirely separate ES and UI chains of command. While ES and UI offices in those states were often collocated, they were separately administered and generally had separate entrances and partitions between the offices. In the third optimizing SESA, there was a mix of ES-UI configurations, but most local operations were combined.

In small offices in most states, ES and UI were functionally collocated and co-administered because any other approach would have been inefficient. In most cases UI claimants were served by a handful of staff trained for UI only or even by an "itinerant" worker.

STRUCTURE OF SERVICE DELIVERY SYSTEM

Although there was considerable variation within states, the size of local offices differed discernibly from state to state in our sample and appeared related to differences in performance.

Both of the states in our optimizing organization/favorable environment group emphasized dispersion of service delivery staff into small offices. This was facilitated by the fact that neither state had any really large cities. However, we also visited one ES (not in our sample) in a highly urbanized Northeastern state which had broken up its largest metro operation into many small units. Only two of those offices had as many as 15 ES staff. While this was a recent change, the SESA's top officials reported improved productivity.

With one exception* all sub-optimal ES's in our sample had not engaged in extensive dispersal of staff into many small units. A few had diverted staff from the inner city to new more productive suburban offices, but these were rarely genuine satellites with very small staffs. The suburban units actually approached the normal size for regular local offices. Metro offices were usually low producing operations with staffs of 30 to 70. Not only were they burdened by an adverse environment, but staff resources were chewed up by the necessity for extra layers of supervisors. Inefficiency and laxity were more easily hidden and initiative stifled by the routine, rigid and often depressing working conditions.

While observation could not yield definitive conclusions, these findings suggest that one path to improving productivity in both metro and non-metro environments is greater dispersal of field staff into many smaller units. Marketing concepts are part of the logic behind the mini-office or satellite. A greater number of locations will expose more potential customers to the service and thus yield more transactions. Clients feel more comfortable in a less institutional setting. But the approach is also partly based on Y-type management concepts. With far fewer staff in each office, each worker has an increased sense of responsibility for the success or failure of the operation. A less passive and more enterpreneurial attitude results. Less specialization is necessary, and every worker has to carry out more diverse functions. Their jobs are, in effect, enlarged and enriched.

From a manager's viewpoint, satellite or mini-offices may permit greater efficiency by cutting overhead and making individual staff more accountable for performance. Overhead is cut because the smaller offices are each headed by a "lead worker" or "supervising interviewer." Purely supervisory positions are eliminated and the number of workers directly delivering services is increased. Accountability is emphasized because the performance of a small office is attributable to fewer workers than that of a large office. Laxity and non-performance, which might be obscured by the sheer mass or workers in a large office, are easier to pinpoint and remedy.

OVERALL UTILIZATION OF STAFF

The above observation is directly linked to the next point--that productivity (in terms of individuals placed per staff year) seemed significantly associated with overall utilization of ES staff resources. Data collected on eight of the nine SESA's visited strongly suggest that the highest producing SESA's have a far lower proportion of their total staff in "overhead" positions than the least productive SESA's.*

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*This ES was sub-optimal not because it was organized poorly but primarily because its program goals were in conflict with the national one. Agency leaders and staff believed in HRD and committed substantial resources to it. As a result, placement productivity suffered.

Optimizing ES's averaged 18.3% overhead staff while sub-optimal agencies averaged 29.5%. One optimizing ES we visited in a favorable Midwest environment had only 16 professionals in their ES central office. In addition, their district offices typically consisted of little more than a district manager, a labor market analyst and a secretary. The rest of their staff were in local offices, in one way or another directly involved in delivering services and contributing to the agency's placement productivity. Much the same situation existed in the optimizing ES we visited in the Southeast.

The leadership in both agencies made a principle of organizational leanness. That attitude infused all levels of the agency. As a local office manager in the latter state said, "If you get more staff than you need, then

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*The following is a breakdown of sample SESA's placement productivity and overhead:

SESA's	% Over- or Under-Achieving1/	% Overhead Staff2/
A	+27.8	18.8
B	+26.5	19.3
C	+16.8	16.8
D	- 2.9	-- 3/
E	- 7.3	33.0
F	-14.0	20.1
G	-15.4	28.3
H	-32.3	35.2
I	-- 4/	30.7

1/ This measures the percent difference between actual placement productivity and expected productivity. Data for actual and expected placement productivity is from FY 1977 RAF worksheets. Expected productivity is the performance per staff member that one would expect taking into consideration economic and labor market conditions.

2/ This is overhead ES Grant staff as a percentage of total ES Grant staff. Overhead staff is defined here as those staff assigned to the SESA's central office and district/area supervisory offices. This does not include supervisory personnel in service delivery offices. Data was collected from the SESA's Report 97 for FY 1976.

3/ Data was not provided by this SESA.

4/ Statistical productivity data in the RAF for this ES was affected by an aberration in personnel time accounting. While probably a sub-optimal agency, no percent can be attached to its underachievement. Data for the past several years shows the agency has slipped badly in placements per staff year.

some people end up sitting around, and that affects morale. I'd rather be just a little bit short." That agency had, on occasion, turned back funds for "unneeded" positions to the Federal government.

By contrast, two of the lowest achieving ES's in our sample were characterized by very large, multi-layered central office staffs and large district office complements. While administrators were concerned with how to absorb staff reductions caused by funding cuts, those reductions were rarely taken in overhead staff. Instead, they were made at the local, service delivery level. This may well have compounded those ES's productivity problems, since now even fewer service staff had to make even more placements to "pay for" the same number of "non-productive" overhead staff. Organizational leanness was rarely mentioned, much less enunciated as a tenet of the organization's management philosophy.

In such states, various explanations were advanced for heavy overhead staffing. It was argued with some merit that in larger states geographic size necessitated more district offices and hence more staff committed to middle level supervisory roles. Similarly, it was asserted that as agencies increased in size beyond a certain point, problems of complexity and control also increased, and consequently more infrastructure became necessary. This point has some support in organization theory. Beyond this, some senior staff (in large, urbanized states with heterogeneous populations and diverse economies) contended that the complexity of the environment created more sophisticated and diverse demands on an ES. They said that this necessitated heavier commitments of staff resources in central and district offices to deal with diverse constituencies, to monitor and manage problems and to provide technical assistance. However, the largest SESA visited also had one of the lowest overhead rates, about 19%.

While uncontrollable factors such as environmental complexity and agency size may set outer limits on how light an overhead commitment an ES must make, considerable organizational choice still appears to exist. Our observations and interviews in high overhead ES's strongly suggested that many such staff were underutilized. In these cases, the reward system assigned a central or district office position much higher prestige and usually higher pay than a job in a service delivery unit. Advancement meant ascending to such supervisory positions even though some of these jobs seemed only marginally useful. The tendency to topheaviness seemed further reinforced in some states by civil service regulations and union contract provisions. The constraints imposed by civil service systems and unionization of public employees are discussed in Chapter III.

D. INFORMAL STRUCTURE

In his classic study of administrative behavior, Herbert Simon wrote:

> The term "informal organization" refers to interpersonal relations in the organization that affect decisions within it but either are omitted from the formal scheme or are not consistent with that scheme. It would probably be fair to say that no formal organization will operate effectively without an accompanying informal organization . . .

> Even if it were desirable, the formal structure could not be specified in such detail as to obviate the need for an informal supplement. On the other hand, the formal structure performs no function unless it actually sets limits to the informal relations that are permitted to develop within it. In particular, it is an important function of the formal organization to prevent the development of organization politics--struggle for influence and authority--to a point that would be deleterious to the functioning of the organization; . . .*

This suggests that a "healthy" organization (and presumably a productive one) will have developed an informal structure which functions both to complement and supplement the formal one. Conversely, if informal structure is in conflict with formal structure or the organizational mission, performance suffers. We found distinct differences between optimizing and sub-optimal SESA's in informal structure. These differences matched the above propositions.

Four states had obvious conflicts between informal and formal structures--and all four were in our sub-optimal category. Two were marked by inadequately developed informal structures. One of these adhered strictly to a military model of chain of command. The captain talked to the lieutenant below him and the major above, and not much to anyone else. In the second, a super agency reorganization had shattered many regular relationships (see page 17). What informal networks remained conveyed an undercurrent of animosity and suspicion of the new formal structure and an organizational identity which most ES staff found objectionable.

Dissonance with the formal structure was also the hallmark of the informal structure in three other states. In two, the organization was fragmented by divided loyalties. In one, career staff looked not to the politically appointed administrator and deputy but to a third echelon career employee for leadership. Other staff, usually patronage political appointees themselves, looked to the partisan politicians that presided over the agency for such guidance as they were able to provide. Factionalism between career staff and appointees or Republicans and Democrats had caused conflicting informal networks to arise. This ES was among the least optimizing in our sample.

In most of the other states, a relatively lively informal structure existed but it seemed to reinforce or supplement the formal structure rather than detract from it. In one state, a deputy for administration was understood to have far broader authority over program and policy issues than his formal position justified, but that authority was exercised to compensate, at least partly, for the limitations of his colleagues. In a second agency certain individuals were also assigned particular roles somewhat unrelated to their formal functions. One was clearly the in-house goad and critic. A second was obviously the "nay-sayer," whose informal function was to take a skeptical posture toward proposed innovations.

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*Simon, op. cit., pp. 148-149.

One case was of particular interest. In a very large state with problems of scale and a complex environment the ES had recently suffered a series of drastic changes in leadership and orientation. This had caused morale problems. Cliques had developed, and informal communications patterns, particularly essential in so large an organization, withered or fragmented.

At the time of our visit the new SESA administrator was, in effect, attempting to overcome recent history and alleviate the scale problem by artificially reconstructing an informal structure. Various task forces, work simplification committees and ad hoc groups had been created with the purpose of drawing people together within different offices or across different levels of the hierarchy. The SESA administrator had pulled in people from all levels of the agency for general brainstorming sessions with him or to consider specific problems. He and his associates made frequent visits to field operations around the state--not just carrying out formal inspection tours but supplementing them with after-hours bull sessions with selected local office staff.

These techniques had greatly increased his familiarity with the agency and had created positive relationships among a wide variety of subordinates. The effort suggested that, even in the face of serious internal and external problems, administrative action can be taken to improve informal structure and, thus, the organization as a whole.

E. COMMUNICATION PATTERNS

Internal communication patterns are in large part shaped by structural decisions about span of control, organizational distance and division of labor. But they are also the product of management style and informal structure. Like authority patterns, communication patterns are intricate and changing. They are measurable in detail only by a far more exhaustive study than ours which would focus on them alone.* However, our field work indicated significant differences in overall communications patterns within our sample ES's. These differences were most notable in upward and lateral communications.

INFORMAL FEEDBACK

Of course, all ES's we visited had formal internal feedback mechanisms, such as ESARS, CAS, POSARS and periodic standardized reports to monitor performance. However, in five of the ES's vertical communication was primarily downward, in essentially a military model. In four others, including all three of the optimizing ES's, upward communications channels were far more varied and open. In those four, administrators up and down the chain of command expected or actively encouraged greater communication from below across a range of issues.

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*For an example of the difficulties involved in analyzing one part of communication patterns, see Herbert Kaufman, Administrative Feedback: Monitoring Subordinates' Behavior (Washington, 1973).

Neither scale nor variation in regional culture adequately explained these differences. Two of the ES's that had greater upward communication were in small states, but the third was medium-sized and the fourth was a giant. While three ES's from the supposedly more "traditional" Southeast and Southwest did tend to the military model, a fourth exhibited one of the freest upward communication patterns. And the two ES's from the "more liberal" Northeast were among the most obvious cases of the "downward only" pattern. However, in both states, productivity was low, budgets had been cut, and many leaders and staff seemed preoccupied with personal and organizational survival. Research on organizational behavior suggests such conditions have a chilling effect on upward feedback.

Our interview data suggested strongly that communication patterns, like the structural characteristics, are largely susceptible to administrative choice. Leadership style and philosophy, conditioned perhaps by staff characteristics, best explained the differences. Those agencies that tended to Y-style or appeared to have younger more educated staffs had more open upward communication patterns.

LATERAL COMMUNICATION

We also found some state-to-state differences in lateral communication between units or individuals on the same organizational level. The literature on organizational behavior suggests that a high degree of lateral communication is necessary for performance of common tasks when units are interdependent. Even where units are not interdependent (such as ES offices that are not in the same labor market) lateral communication may be advantageous because it permits exchange of productive ideas and solutions to common problems. Minor conflicts may be resolved and coordination negotiated without the risks associated with involving higher authority. The burdens of senior decision makers may be lightened although at the cost of some loss of control. These benefits, of course, must be balanced against the costs of time and resources that such communication entails.

We found lateral communication between local offices to be generally low. While district-wide meetings of local office managers and unit supervisors occasionally occurred, statewide gatherings or informal, telephone or social contacts tended to be rare. In a few states, active units of IAPES (International Association of Personnel in Employment Security) filled this void to some degree. However, in one optimizing ES there was a long-standing tradition of frequent lateral contact. Not only did local office managers call each other to confer on problems and techniques, but a productive form of inter-office competition had developed. Local office managers kept a close eye on the productivity of their rivals and made sure their own staffs were informed of their relative standing, month by month.

A second, sub-optimal ES had recently taken steps to increase lateral communication among local office managers. The politically appointed executive director of this commission-structured SESA held monthly informal sessions with all ES local office managers. To maximize participation and interaction, those sessions excluded central office management and staff. Not only did this encourage lateral contacts among the local office managers, but it established an informal structure for bottom-to-top communication, circumventing barriers within the ES division. Such director executive-line staff contact was also a clear message to central office ES managers to improve feedback channels and "get their shop in order."

Scale clearly appeared to limit lateral communication among local offices. Large ES's--both optimizing and sub-optimal--had a low degree of inter-office communication.

In most states, however, there was a relatively high degree of communication between district managers. Being few in number it was easier for district managers to know each other. Furthermore, in several states, district managers worked out of the state central office rather than from field locations. Several ES's also consciously included district managers in high-level decision making. Top SESA officials described them as being "part of our board of directors" and scheduled monthly or more frequent meetings with them as a group. Only in three ES's (all in our sub-optimal category) was lateral contact between district managers low.

F. ADAPTIVENESS TO CHANGE

Organizational change may be either responsive to stimuli or anticipatory, seeking to adjust organizational strategies in advance of new necessities. The mode of responsive change is "consolidation," attempting to meet new needs as far as possible through existing structures and processes. The emphasis is upon conflict avoidance and stability. The mode of anticipatory change is the effort to develop new approaches to an impending problem before it becomes fully manifest. Creativity and initiative are highly valued. All organizations confront both external and internal stimuli to change, and all respond in both consolidative and innovative ways--but to different degrees.

Inherently, organizations probably tend to favor consolidation over anticipation. The internal forces resisting change usually are stronger than those supporting it. The former arise from the enormous "sunk costs" of the established way of doing things and the self-interest of officials who stand to lose. Change involves risk, possible waste and uncertain outcomes. For these reasons, anxious bureaucrats resist change.*

It seemed to us, therefore, that the degree to which ES's responded to or anticipated necessity and how they managed change might be important determinants of their overall organizational character--and, perhaps, their productivity.

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*For a discussion of this point, see Anthony Downs, Inside Bureaucracy (Boston, 1967), pp. 191-210.

Our interviews in both SESA's and Regional offices provided some insight into attitudes toward change in particular ES's as well as specific episodes of response or innovation. Beyond this we used the following characteristics as indicators of how SESA's dealt with change:

- Organizational introspection: is the agency self-aware and self-critical in assessing its performance and response to change?

- Research and analysis: does the agency systematically study and analyze issues important to operations?

- Planning, evaluation, and resource allocation: does the agency have effective routines for rationally assessing its performance, setting operational goals, and allocating resources accordingly?

- Organizational development: does the agency have training and other programs to enhance the skills and competence of its personnel?

We expected that the presence or absence of these attributes would be associated with a SESA's general approach to change. Specifically, we were interested in how an agency responded to the following external pressures:

- Economic environment: how did the agency respond to temporary or long-term changes in labor market conditions?

- Federal directives: did the agency have routine ways of responding to new instructions, or did it assess them critically?

- New technology: how well did the agency adapt to innovations such as automated reporting systems and computer-assisted job matching?

SUB-OPTIMAL AGENCIES

While the answers to these questions were somewhat different for each of the nine ES's, important general patterns were discernible. The characteristics of five of our six sub-optimal agencies were strikingly similar. All engaged in limited organizational introspection. They did little planning, management analysis or evaluation beyond meeting routine and minimal Federal requirements. No studies had been attempted of such operationally important issues as penetration rates, the performance potential of offices, and optimal office size, location, structure and staffing patterns. Few people at or near the top of the organization seemed actively curious about why problems existed or about possible innovations.

In several of these five states not only the will but also the capability to carry out such analytic enterprises seemed lacking. In several others a cadre of competent analysts existed somewhere in the ES central office. But usually they functioned as separate appendages, and the policy implications of their research were either ignored by top administrators or the research focused on issues unrelated to operations.

These five ES's responded in many instances to changes in Federal direction in one of two ways. Two of them (both in unfavorable, Northeastern environments) frequently struck a plaintive defensive posture and then undertook mechanistic implementation without serious attempts at adapting what had been imposed on them to better suit their own needs. The other three (in more favorable Southern or Southwestern environments) tended to resist Federal suggestions and directives. Two did this almost as a matter of principle, taking a strong "states' rights" posture. The third exhibited a slowness characterized as follows by one Regional Office official: "It's like there is a two-year lag. Ideas are slow to come across to them."*

In all five of the agencies little anticipatory action was taken to plan or prepare for long-term changes such as population shifts and changes in industrial composition. Several of these SESA's had not been prepared for sudden but foreseeable shocks such as the jump in UI claims during the 1974-1975 recession.

Three of these states had done almost nothing to experiment with or apply new technology in areas such as job matching or telecommunications. Four had simply implemented the Federally-required ESARS system without developing strategies for solving the manpower burdens which it imposed or utilizing it for their own management needs. In all five little entry training and orientation, retooling, management training and external education was being carried on. Seminars, problem-solving meetings or task forces were rare.

OPTIMIZING AGENCIES

The contrast between these five and two of the optimizing ES's was particularly striking. These two showed great similarity in how they addressed change in spite of the fact that in other ways they could not have been more different. One was the smallest ES in our sample, operating in a predominantly rural Southern state experiencing high economic growth and low unemployment. The other was the largest of our ES's, serving a geographically and ethnically diverse, highly urbanized state that had a serious unemployment problem.

Both were open to new ideas but were carefully analytic in considering them. Neither one automatically implemented or resisted new Federal directions. The small, Southern ES had a history of close cooperation with its Regional Office but nevertheless evaluated the applicability of new Federal thrusts for their organization and environment with an independent mind. The RAF was being considered for adaptation as an internal resource allocation mechanism and was actively used as an internal management tool and stimulus to performance within each local office (see page 142).

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*This SESA's underachievement was, in fact, mostly due to a strategic miscalculation, symptomatic of this "slowness." Their usual high ranking among SESA's in productivity had been affected by their contracting with CETA prime sponsors to do placement activity under CETA funding. If they had followed Regional Office advice and provided this service as a Wagner-Peyser funded activity, they would have had a higher, more optimizing performance record.

New technology was neither embraced nor rejected automatically but carefully weighed for its impact on state operations. Federal computer packages were adapted to this ES's own information and reporting needs and simplified to make them less burdensome. The attitude toward environmental change was highly anticipatory. Administrators at the local as well as the central office level continuously assessed their opportunities and problems and tried to develop strategies for dealing with them.

The intellectual resources of the state university were utilized systematically. Academic experts had developed special curricula for SESA staff training both on and off-campus. Faculty had also been involved as researchers, talent scouts and in the development of training programs for staffing incoming industry.

The larger of the two SESA's had a history of contention with the Federal government. Under its current administrator the agency had developed a cooperative relationship with its Regional Office, but it remained a thoughtful, critical judge of new Federal directions. It was putting considerable effort into assessing the long-term cost and applicability of computerized job matching for its big cities and had developed some of the most insightful comments on the RAF that we encountered. It was engaged in internal analysis or had funded outside research on topics including local office potential, resource allocation mechanisms that adjusted for environmental difficulty, collection of ESARS data on a sampling basis and the desirability of integrating the ES and other social services. Its local office management analyses were deeper and more subtle than those encountered elsewhere. The planning and research staffs were among the strongest in the country and were involved by the SESA administrator in considerations of operational and policy issues. Although the Federal ESARS packages, with all their problems, had been implemented mechanistically, they were being used to generate special state-oriented reports and analyses of various kinds.

The agency's training and organizational development efforts had become moribund over the previous decade, but a serious effort in that direction was now being launched. Brainstorming sessions and retreats were being used to identify problems, consider alternatives, and establish priorities or agendas for action. Connections with the academic community were close, with faculty used as researchers, consultants and trainers.

THE LIMITS OF ANALYSIS AND INNOVATIVENESS

The two states not yet mentioned--both in favorable Farm Belt settings --were instructive in suggesting the limits of analysis and adaptiveness as contributors to performance.

One of the SESA's had strong optimizing characteristics and had compiled an exemplary performance record. However, the agency did little research or planning of a creative kind. Managers concentrated their problem-solving on issues of immediate relevance to operational performance. They preferred to borrow innovations from other states which they felt would be immediately productive, rather than spend resources developing these themselves. The training program, once a Regional model, had been given lower priority.

The organizational goal was apparently to use resources in immediately productive ways which would return maximum "profits" under the prevailing "rules of the game." Managers took the attitude of some football coaches--"Win today, and tomorrow will take care of itself." The implication seemed to be that planning and analysis may have a limited contribution to make to agencies in favorable or stable environments which already have high organizational performance. Once an agency has attained fundamental optimizing characteristics, further optimization is a matter of "fine tuning," for which analysis may be less necessary than for larger-scale reforms. Of course, the de-emphasis of more intensive forms of planning and analysis could cause serious problems if the SESA were confronted with dramatic changes in technology or labor market conditions.

The other Farm Belt ES suggests that an analytical approach to change, while generally a virtue, can be taken to extremes. This SESA was the most innovative and cerebral of all in our sample. Its internal analytic and technical capabilities were impressive. At all levels it seemed rich with bright, highly educated people full of new ideas and an urge to try them out. This SESA had pioneered new departures in computerization which attempted to link Job Bank and Applicant Data Systems (ADS) in ways that would make both more efficient. It was at the forefront of reporting systems development and was experimenting with a variety of innovative ways of presenting management information. Problem-solving was a collective enterprise, not only in the central office but throughout the organization. Evaluation and planning capabilities were outstanding.

A highly independent, analytic posture was adopted toward new Federal directions or policy shifts although personal relations with Federal officials remained cordial. This SESA had successfully unified its ES and UI components at a time when national policy called for separate delivery systems. It retained elements of an HRD orientation at a time when Federal policy and funding emphasized labor exchange functions.

Relationships with the university community were intimate and the ES had underwritten research which used sophisticated techniques to analyze organizational problems. The staff seemed constantly involved in seminars, training sessions, task force meetings and a remarkable amount of extramural education.

Yet by our criteria of optimizing for productivity, this ES was a sub-optimizer, and the reasons were closely linked to the description above. Part of the explanation--noted before (see pages 11 and 27)--was that this ES had persisted in an identification with HRD goals at a time when national policy and funding incentives favored placement goals. This caused the agency to perform poorly by official criteria even though it had many of the same organizational features as optimizing agencies.

At the same time, however, this ES was paying a price for excessive introspection, innovation and experimentation. As noted earlier, change has attendant costs. Nowhere were they more obvious than in this agency. Some of the outside research the agency had funded ended up having little operational utility. Each experiment with reporting systems, organization or service delivery ate up substantial resources, especially in the implementation stages and in the retraining of staff. Local office operations were unavoidably affected as each innovation was put in place. Even in this ES, with its highly educated, flexible staff, the constant changes and tinkering tended to undercut continuity and efficiency.

The patterns described in this section, while complex and subtle, do suggest some generalizations about the management of change in ES's. First, sub-optimal performance is strongly associated with relatively unreflective responses to Federal direction--either mechanistic implementation or automatic resistance. The optimizing ES's tend to be more open to new ideas but assess them carefully for suitability for their own operation. They modify and adapt them for their own purposes. The same is true of their approach to new technology and Federally-imposed reporting systems.

Generally speaking, optimizing SESA's anticipate long-term changes and sudden shocks better than sub-optimal ones. Planning and analytic capabilities are more highly developed. Top administrators show more interest in analysis and a willingness to weigh and act on its implications. Optimizing ES's also tend to invest more time and attention in training and other forms of organizational development, although the benefits are not always immediate.

Similarly, and perhaps most important of all, they tend to engage in a markedly greater degree of organizational introspection by questioning how their agency does things now, how they might improve and how external circumstances are changing in ways that might cause problems or create opportunities. While one of the special cases mentioned above suggests that anticipation, analysis and innovation can be overdone, that situation seemed unique. The problems of sub-optimal performers seemed associated far more with a lack of introspection than an excess.

III. STATE LEVEL LINKAGES

SUMMARY

The relationships of SESA's to state level political institutions and other agencies had less evident connections to performance than did SESA's internal organizational characteristics. But these ties are still of importance to ES administrators.

SESA's were subject to little oversight from governors or legislatures with regard to ES budget or program issues, except in rare instances where state funding or reorganization issues were involved. However, state austerity budgets and salary policies often constrained SESA's, even though they were wholly Federally funded. In several states extra, unfunded functions were also imposed.

General services departments usually granted ES requests to acquire or move office space, but in some states they resisted the moving of offices.

Civil service systems prevented extensive political interference in personnel decisions in most--but not all--states. However, the civil service, along with public service unions and affirmative action rules, often caused these decisions to be made on grounds, such as seniority, which had little relation to merit. They consequently limited managerial flexibility in most SESA's.

The extent of the ES's role in state level CETA programs seemed determined by the "fit" between the goals of the governor's manpower staff and the ES, their views of each other, and the relative influence of alternative service deliverers.

SESA's did not as a rule have close ties to other state agencies, but some had close links with some other human service agencies or the state economic development agency.

ES relationships with CETA and other agencies at the state level lacked evident connections to performance, except for one optimizing SESA which had a dominant role in CETA and was strongly identified with economic development efforts.

Whether the ES was more strongly identified with labor or with business groups depended on the general political environment and the presence or absence of strong trade unionism.

This chapter considers the relationships between state employment services and other state level institutions or organizations. The chapter describes these relationships, their causes and their implications for the ES. The focus is the opportunities--and constraints--these relationships imply for SESA's and SESA performance.

In the preceding chapter, employment services' optimizing or sub-optimal performance were shown to be repeatedly associated with particular organizational characteristics. Such connections are fewer here. With some important exceptions, the patterns we have found in ES linkages to state bureaucracies or political institutions were not consistently associated with optimizing or sub-optimal ES performance. In some cases the patterns are general in nature, holding true for nearly all the states in our sample. In others, variations seemed dependent on specific influences, like the culture of government in a state or even the presence of an exceptional individual.

However, the findings should still be of interest to ES administrators. Officials at all levels of the ES have a need to maintain good relations with other programs and state and local government, even if firm connections to performance are elusive. This chapter and the next explain the dynamics of these relationships and suggest ways ES managers can turn them to more constructive use.

The chapter begins by examining the role of political officials--governors and legislators--in ES financial and programmatic issues. It then focuses on the influence of state personnel and administrative service systems on SESA's, with particular emphasis on how such systems inhibit ES managerial flexibility. Next, ES relationships with state level CETA organizations and other human services and economic development agencies are discussed. Lastly, the chapter examines relations with other actors that are formally outside of state government but sometimes are heavily involved in political interplay, such as employer groups and trade unions.

A. GOVERNORS AND LEGISLATORS

In general, our interviews reinforced the impression that SESA's are, on the whole, better insulated than other state agencies from interventions by governors and legislators. There was substantial variation in our sample. In several instances, political interference in personnel and office location decisions was extensive. However, interest in the ES program performance or budget was minimal. The general rule was that state political attention followed state dollars. Only one state in our sample had spent significant amounts of state money on its employment service.

From the SESA's viewpoint, state inattention maximizes organizational autonomy but minimizes understanding of, interest in and support for the ES among elected officials. A state agency may find that autonomy has its costs, for example, when legislative action is necessary to change enabling statutes or personnel structures, or if political backing is needed in a dispute with Federal administrators.

There are tradeoffs, too, in terms of the public interest. Public agencies relatively free of political interference are generally seen as desirable. But it may also be desirable that state-run agencies be subject to state level oversight, budget review, audit and evaluation.

SESA's are ostensibly state agencies, but they receive little direction or guidance from the governor or legislature regarding service priorities, target groups, or program content and quality. Does the absence of attention, oversight and direction make it largely meaningless to speak of the ES as a Federal-state program? Does it leave SESA's relatively free to choose for themselves whether and when to be state agencies, Federal agencies or neither? Our answer to both questions is affirmative.

BUDGETARY MATTERS

In all our sample states, gubernatorial and legislative involvement in ES budgetary matters was limited. In only two states had the governor ever reportedly involved himself in efforts to increase resources for the ES by lobbying national officials. Several years ago, one governor wrote the Secretary of Labor to protest "cuts" in the ES budget, but without apparent impact. A second governor had apparently intervened once through the President and the White House staff to get a regulatory interpretation relaxed which permitted his ES to use certain funds more flexibly. Although officials in several Regional Offices cited cases of gubernatorial intervention in states not in our sample, such lobbying appears relatively rare. It is generally left to SESA administrators, department directors or commission chairmen.

Executive and legislative budget analysts in all states but one gave ES budgets little attention. "Not much more than 10 minutes each budget cycle," said an examiner in a state generally noted for its sophisticated budget processes. Nowhere had the governor or legislature ever considered refusing to pass through ES funds, though Federal moneys for other programs were occasionally rejected. Nor had they ever considered switching ES funds from one line item or spending object to another. As one budget analyst put it, "Because it is all Federal money, we don't review it with the same scrutiny as other parts of the budget." He pointed out that other programs that depended heavily on Federal funding but involved at least a 20 percent or 25 percent state match received far greater attention from elected officials and staff.

Legislative and executive involvement with ES capital funds provided under the Reed Act was usually also minimal.* Except for general procurement procedures, SESA's appeared unfettered by legislative or gubernatorial controls in spending Reed Act money. Eight of our nine sample SESA's took substantial advantage of such funds. Among them utilization ranged from 71.3 percent to 100 percent of available dollars.

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*The Reed Act of 1954 earmarks Federal Unemployment Tax money and returns to states the amount of the difference between what DOL grants for program administration and the total money collected each year of the tax. SESA's can spend this money for capital improvements.(PL 83-567).

The ninth state had spent none of the available money, apparently because of state regulations limiting the way different types of capital funds may be used. Such restrictions, which also exist in several other states not in our sample, are meant to avoid misuse of state capital funds, not to prevent a SESA from using Federal funds. In these states, SESA administrators might seek legislative exemptions for their agency. But our state government experience leads us to expect that such amendments are probably unlikely.*

While governors and legislatures took little direct interest in ES budgets, they exerted a strong influence indirectly over one important part of SESA budgeting--salary levels. In unionized states SESA pay levels were largely determined by the outcome of government-wide negotiations. Elsewhere salaries were usually set by a civil service commission or personnel board. Even in these cases, some form of legislative and gubernatorial action was eventually necessary.

SESA salaries were usually an undifferentiated part of an overall state pay package. However, some SESA's were able to improve their relative positions. For example, in one state legislative staff reported that several years earlier the ES had successfully separated its own salary requests from those of the rest of state government and, "with help from pro-union legislators," achieved bigger increases than other employees.

A second, high performing ES had for decades been effectively free of all external salary control. In the absence of a state merit system, salary scales and job classifications were set in consultation with Regional Office officials, and salary levels in the SESA had been somewhat better than those in other state agencies. Administrators felt that this had permitted them to "pick the cream of the crop of college graduates" and had contributed to their ES's consistently high performance.

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*The use of Reed Act funds may have implications for ES performance. The issue may be not what proportion of available Reed Act funds are used, but how they are used. Several SESA's that had used the funds in the past to build offices in metro areas now found themselves locked into facilities in the "wrong" location as residential, industrial and transportation patterns changed. In some cases they were burdened with ownership of oversized and inefficient structures at a time when they were trying to adopt service delivery strategies that call for smaller, decentralized offices.

Several SESA's in our sample (including two of the optimizers) had instead adopted the strategy of using Reed Act funds to construct state headquarters facilities and offices in smaller cities and towns where change is likely to be slower. In urban and suburban areas, rental arrangements of relatively short duration were usually negotiated, so that changes in environment or service strategy could be more quickly accommodated.

However, a commission of legislators and public members had recently been created in this state to deal with state job classifications and pay scales, and ES positions had been brought under its control. As a result ES salaries had been brought in line with those of other state agencies, and state salary increases had been infrequent and small. Administrators in this SESA appeared deeply troubled about the rapid rise in turnover rates and about their ability to maintain the high caliber of their personnel.

In five other states, state revenue growth had slowed and governors or legislatures had adopted "austerity budgets." Accordingly, SESA salary increases or requests for new positions had been stalled--even though ES staff were paid wholly from Federal funds. Federal funds available for these raises or positions sometimes went unused. To do otherwise would have violated statewide hiring freezes or parity in salary scales and opened the door to demands from other state-funded agencies.

One SESA we visited actually had sued the governor and other state officials for the pay increases that Federal funds were available to cover. The court decided in favor the SESA, but as one observer commented, "They won the battle but lost the war." The agency failed to get the increases since the money had already been returned to the Federal government. In addition, the action also reportedly led the governor to push a bill through the legislature doing away with the offending commission and replacing it with a single executive director of his own choice.

In general, even where state pay increases had been slowed or halted, SESA officials reported they were still able to attract satisfactory staff, largely because of limited jobs in the private sector during the recession. However, their experience in previous recessions led them to expect that many of these employees would leave when the economy recovered, if salaries did not quickly improve.*

Other effects of statewide austerity budgets were noticeable. In one state the director was the only individual in the SESA authorized to travel out of state to meetings and conferences. In a second, plans to request state funds for special ES projects were scrapped when word was received that they would be rejected by the governor. In a third, the most politicized SESA we visited, budgetary austerity reportedly once was used as an excuse to layoff ES staff who belonged to the party out of power. Later, it was apparently discovered that adequate funds were available, and individuals associated with the governing party were hired to fill the vacancies.

OVERSIGHT

Like budget reviews, oversight of ES operations was extremely limited. In none of our sample states had the auditor ever reportedly undertaken an operational or performance audit of the employment service. However, one auditor told us he was considering such an audit in response to constituent complaints passed on by several state senators that "some job seekers were treated poorly."

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*See "Pay Comparability Surveys--An Approach for State Governments," U.S. Department of Labor, Employment and Training Administration and Bureau of Labor Statistics, no date, pages 10-12 and 27-32 for discussion and survey findings on state salary non-competitiveness with the private sector.

Only two of the nine executive budget offices had reportedly ever undertaken a program review or evaluation focusing even partially on the ES. One was in the one state that substantially supplemented the ES budget with state funds (see page 51). A second budget office had issued a seventeen page report in early 1975 comparing some results of manpower programs in a summary fashion, two of which were run by the ES. No policy conclusions or recommendations were included, and we were told the study had no meaningful impact on the SESA.

In none of the states had the governor's manpower staff evaluated ES performance in any systematic way even in the CETA balance-of-state (BOS), although two manpower staffs told us they were about to begin such studies. A third staff had analyzed its ES's performance of OJT responsibilities in BOS, found it inadequate, and was considering ending the ES's role in that program.

Within legislatures, staff could recall almost no oversight hearings or serious consideration of ES issues. Understandably, legislative staff rarely engaged in more than the most minimal review of ES materials. There were two exceptions. One was the state that had funded special ES program activities (see below). The other was the state that had a human resources super agency. The legislature had taken the lead in creating the super agency, and continuing problems in the agency had become an increasing source of concern to legislative leaders. The legislature had one staff person, largely funded by DOL, who reportedly spent most of his time on the problems of the super agency.

PROGRAM CONTENT

Here, too, state level elected officials were infrequently involved. In five states no respondents recalled legislators or governors ever taking an active part in deciding ES priorities, target groups, delivery systems or programs. In several other states, elected officials had levied additional responsibilities on the SESA while generally providing no additional funds for them. In some cases the extra functions were mandatory registration of food stamp recipients or state general assistance recipients involved in "workfare" programs. In one state, public aid recipients were supposed to pick up their checks in ES local offices. SESA officials felt that such functions wasted time and resources since program participants generally were uninterested in or unavailable for work.

While Federal directives have been issued against such unreimbursed activities, SESA's responded to the more immediate stimuli--the will of state political leadership--and diverted some staff to carry out these additional functions. Presumably, this had some slight adverse effect on placement performance. One SESA administrator was asked if he ever went to state elected officials to help get relief from extraneous functions imposed by

Washington. He responded, "The legislators have always wanted to load the ES up with more work, not less."

In three states political involvement in program issues went beyond the norm. One was the state with the super agency. Here the legislature had clearly taken a hand in service delivery issues. The legislature had mandated by law that social services be brought together in one department in the expectation that integration of delivery systems would be more efficient and more convenient for recipients. However, the statute was not specific about the details of integration, and many of the ensuing problems had arisen from the way in which administrators implemented the mandate.

A second unique case was the high performing Southern ES. There the ES was deeply involved in efforts to attract new industry and assist it by recruiting and training a work force. Historically, the state had been one of the least industrialized, with a low per capita income. Informal cooperative efforts between the ES and Voc Ed on industrial promotion had begun in the Sixties. In recent years the governor had vigorously associated himself with industrial development efforts. "Startup" projects commanded the attention and frequent involvement of the higher ES officials. "New employers" were in a real sense a target group for this ES--in part at least because of the governor's attitude.

In the same state the role the ES was to play in CETA balance-of-state (BOS) operations was also influenced by elected officials. At the outset, the governor's manpower staff ran Title VI PSE in the balance-of-state, and we were informed that it was the governor's "preference" to keep things that way. However, in this state the legislature is more powerful than the governor because it generally controls budgets, and many agencies are under the direction of semi-autonomous commissions rather than the governor. The legislature preferred that the ES run Title VI in BOS in order to avoid administrative duplication, and the governor acquiesced. The argument was that the ES had "these offices all around the state and were ready to move on it immediately," while the governor's office had only seventeen people and would have had to add a lot more staff.

Both of these actions by political decision makers had the effect of reinforcing the ES's already high performance (see page 67).

The third special case was a large Western state. During the HRD period this state had invested its own funds in two experiments: (1) special ES staff positions to serve the disadvantaged which were to be filled largely by the disadvantaged themselves and (2) multi-service centers to serve poverty areas. The location of such centers had been a matter of intense interest among legislators. The programs had continued to command their support and fundings despite serious problems in conception, implementation and effectiveness. As a result, this part of the ES budget, at least, received continuing executive and legislative attention.

Also, the legislature in this state is far more heavily staffed than most which is one reason it has been ranked among the best legislatures by the Citizens Conference on State Legislatures. The involvement of many top quality legislative staff, as well as state dollars, meant that the ES received far more analytic attention than in other states.

Each year the legislative analysis office prepared a brief but insightful paper on the ES that focused on the two state-funded programs but dealt with other issues as well. One analyst spent between 15 percent and 30 percent of his time on ES matters exclusively. He conducted detailed consultations (and sometimes informal negotiations) with top ES officials and spent several weeks each year visiting field offices.

This was the only legislature in our sample to hold hearings focusing even briefly on the ES. The legislature had passed resolutions requiring the ES director to report to it on what should be done on several policy matters, including continuation of the two special programs. While the ES still commanded less attention than other Federal programs from legislators themselves, presence of state dollars and of better staff resources focused on manpower issues apparently made a difference.

PERIPHERAL MATTERS

The general impression that state employment services are not only insulated from political pressures but also isolated from political decision makers breaks down when one looks beyond the main ES functions. In most states the SESA's top leaders, at least, had frequent contact with elected state officials.

In some instances these contacts included efforts by politicians to influence ES office locations or personnel decisions (matters that are treated on pages 53 and 54 respectively). But usually they involved non-ES issues. For example, the SESA director and other staff were often called on to present information and recommendations to the governor and the legislature on changes in unemployment insurance--benefit levels, eligibility, tax rates and the like. This required them to testify, provide data, draft and negotiate legislation--and in some instances lobby for their recommendations. Furthermore, legislators and governors would come to these officials with constituent inquiries and complaints about individual UI cases. Contacts about ES services were much less frequent.

In addition, while the legislature was in session, all SESA's received requests from legislators for various kinds of labor market information bearing on legislation they were sponsoring or considering. Research and Statistics bureau chiefs estimated their agencies received from "less than ten" to "several dozen" such inquiries each session. Many SESA officials regarded these services as an investment in legislative support.

These patterns of contact were reinforced by other relationships. In one state the governor was politically close to organized labor and, because of this, appeared to have more frequent contact with the head of the labor departments in which the SESA resides. The overwhelming majority of these contacts had nothing to do with the ES. But if the department head wanted to take an ES matter to the governor, access was easy.

In a second state, the governor was highly interested in various job creation experiments, and staff work on some of these ideas was being performed by ES research personnel. This presumably raised the governor's awareness of and interest in the ES.

In many cases SESA directors or commission chairmen were political allies of the governor or the legislative leaders who were instrumental in their appointment. In fact, the commission chairmen of two SESA's in our sample had been their governors' campaign managers. Such individuals were inevitably involved in a variety of political contacts at all levels. This permitted them to serve as political buffers for their SESA's or as conduits for information requests, job inquiries and other favors.

These various connections and contacts with legislators and even governors resulted in relationships which were potentially useful to SESA's. While rarely involving ES issues directly, they gave the ES access to attention and potential political support, if needed, in the legislature and the governor's mansion.

B. SUPPORT AGENCIES

GENERAL SERVICES DEPARTMENTS AND OFFICE SPACE

State procedures governing SESA real estate transactions and the opening or changing of offices varied widely, causing differences in administrative flexibility among the sample SESA's.

In all of the larger states, arrangements for obtaining field office space involved a central state general services agency to some degree. In most cases, the SESA's relationship with its agency seemed largely untroubled. The housekeeping agency routinely filled the SESA's request to contract for property selected by the SESA.

If the SESA encountered resistance, it usually came from the locality, not the general services agency. Sometimes office space was hard to obtain. As one SESA official put it, "Landlords do not regard government in general as a good tenant. It is pretty demanding and a slow payer." On occasion, too, there was local resistance to a SESA office on the grounds that unemployment compensation brought "undesirables" into a neighborhood (see page 72).

However, in two Northeastern states the general services agency affected location decisions strongly. In one, the ES was seeking to upgrade and decentralize local offices in order to conform to changing residential and industrial patterns. The SESA particularly wanted to open small offices in shopping centers. However, the general services agency had repeatedly ruled that office space chosen by SESA officials were inappropriate or overpriced. Thus, ES office location decisions were controlled by others whose understanding of ES functions and problems were limited and whose decision criteria were different.

In the second state, final decisions on office locations were also made by an administrative services department. Many such decisions were made on the basis of political favoritism. It was common knowledge among landlords that contributions to the political party in power were necessary to secure a government lease. One office in a small city had been moved within months of the advent of the new administration from a choice, centrally located storefront to a deteriorating structure several miles away. Staff familiar with the political folkways of their state had no doubt as to the reason. In another office we visited, it was understood that the office had not been moved because the landlord was a substantial contributor to both parties.

Elsewhere SESA commissioners or administrators reported "consulting" or "informing" legislators before opening an office. Legislators in other states occasionally lobbied for a local office to serve their constituents and frequently joined local officials and businessmen to fight the closing of an existing office (see page 73). But the state mentioned above was the only case of blatant partisan interference observed in our sample.

In the small states the constraints of dealing through a general services agency were generally less than in the larger states. In fact several SESA's made all the arrangements for leases and purchases autonomously, in one case apparently assigning responsibility for selection and negotiation to the local office manager. It seemed clear that such SESA's had greater flexibility in using their resources than larger ones. It seems reasonable to expect that such flexibility, if utilized wisely, could contribute to strong program performance.

PERSONNEL SYSTEMS

One of the requirements of the early statutes establishing the Federal-state employment service was that state ES's had to hire and promote through civil service or merit system procedures. In fact, this requirement helped stimulate the creation of state civil service systems where they had not previously existed.

All of the states we visited had state personnel systems of some kind. The systems varied considerably in the breadth of their control and nature of the problems they posed for SESA management. In general the Southern and Southwestern SESA's and those in smaller states seemed to have more independence in personnel matters, while those in larger states, especially in the Midwest and Northeast, seemed more tightly constrained by civil service systems. But there were notable exceptions to these generalizations.

In most of the SESA's we visited, civil service systems seemed to achieve their original purpose, the depoliticizing of public service. Respondents within and outside of most SESA's reported that their personnel processes were generally free from external political pressures. Even in some SESA's where occasional political interference in hires and promotions seemed to occur, there was less interference than in other state agencies, where, as one interviewee put it, "You have to have a sponsor, an 'in,' to get any job."

In five SESA's overtly political appointments were few. Generally in these SESA's only the commissioners, executive directors (and perhaps their secretaries) might owe their offices to their connections to legislators or the governor. At lower levels, interventions by politicians in hiring or promotion were reported to be relatively rare.*

In a sixth case, a large state with a strong civil service heritage, regulations had been eased in the past decade, "exempting" about ten top positions in the SESA central office. However, these were filled with selected career employees as well as political appointees from outside the agency. Below these positions, civil service hiring and promotion was apparently strictly followed.

In another, sub-optimal Southwestern SESA which had a weak civil service tradition, political appointments extended downward to at least the bureau chief level. Occasional political interventions to influence a hire or prevent a dismissal were also reported even down to the level of service delivery staff in local offices.

In two other SESA's (one Southern and one Northeastern) civil service systems were largely controlled by partisans, and political influence was extensive from entry level hires on up through the agency. In the Northeastern state (the same one where office space decisions were highly political) the civil service system was structured and run mainly as a patronage mechanism. It was in this state that "austerity" had once been used as an excuse to lay off ES staff identified as political opponents (see page 49). Sudden purges were generally expected by ES workers each time a new governor took office. Staff told of numerous instances of "undesirable" employees receiving letters ordering them to report for work the following day at an office at the other end of the state. Supervisors' recommendations of promotions were frequently overruled by personnel officers who were themselves political appointees. Although these kinds of episodes had moderated somewhat under the current administration, because of such experiences staff morale in this SESA was among the worst in our sample. Its placement productivity was also the lowest of the nine.

In general what differentiated SESA's that experienced heavy political interference from those that experienced little was the posture of the statewide civil service system and the top SESA leadership. If the civil service system was weak and patronage was strong in the governmental culture, only the firm protective influence of determined commission chairmen and top administrators prevented widespread politicization of personnel decisions. If top leaders were compliant, politicization, morale problems and eventually poor performance seemed the likely results.

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*Even in these states there were occasional exceptions. For example, in one Northeastern state when the black district director in a major metro area died, the ES administration chose a white replacement. The Black Caucus in the state legislature objected and lobbied vigorously for a black instead. In the end the white was appointed, but, according to ES officials, the legislators extracted promotions for several black ES employees in return.

Civil service systems were only one form of constraint on SESA personnel decisions. In five of the nine states (all in the Northeast or Far West) public employees unions were involved in varying degrees in collective bargaining with either the SESA or state government as a whole. In addition, civil service and collective bargaining procedures were overlaid in all the states we visited by hiring and promotion mechanisms intended to give particular priority to minorities, veterans and women.

Together, the influences of civil service systems, unions, and preferences for specific groups are intended to serve important political values--to protect from gross political interference, to increase the tangible rewards employees receive and to correct for past inequities. However, in many instances the resulting structures or processes have become significant constraints on efficiency, organizational reform and performance. They restrict ES flexibility in hiring, promotion, disciplinary and dismissal procedures, and utilization of staff. They also affect the competitiveness of ES salaries and fringe benefits.

In the process of protecting public agencies from traditional patronage abuses, civil service systems have tended to become less meritocratic and more closed to outside competition than their architects may have intended. Faced with the difficulty of judging ability or job performance objectively, civil service systems have tended to fall back on formalistic criteria, especially seniority, for decisions on promotions and pay increases. Job classifications have become highly specialized, limiting management's ability to use staff flexibly or infuse new blood through lateral entry. The result is excessive compartmentalization and a tendency to stagnation. Grievance and appeals procedures have tended to provide public employees with iron-clad tenure except in cases of the grossest misconduct. Managers have had their hands tied in rewarding achievement and disciplining or dismissing non-performers.*

Public employee unions reinforce the constraints of civil service systems.** In states we visited where there were collective bargaining agreements, union representatives explained that they placed great emphasis on seniority promotion. They wanted additional curbs on managers' discretion in selecting from promotion registers. They sought to restrict access to open positions to employees already within the system. They opposed lateral entry or outside hires into all but the lowest positions.

One sub-optimizing SESA in the Northeast exhibited, more than any other in our sample, the problems of a rigid civil service system and militant unionization. Under civil service rules, transfer of staff from one job or one office to another was barred unless the employee consented. Disciplinary action or dismissal for cause was so torturous and risky a process that supervisors told us they almost never considered such measures. Job specifications and qualifying procedures were so specialized that lateral entry into the SESA from other agencies or from outside was limited. A "preservation of bargaining unit work" agreement with the union barred the use of administrative staff in service delivery functions even in temporary emergencies. There was no mandatory age for retirement, so managers could not force incompetents to retire. The union had made promotion by seniority one of its key objectives and was also fighting the elimination of any administrative positions. Since promotions inevitably meant assignment to such positions, this reinforced the SESA's top-heaviness in central and district office staff. A strike in 1975 left a legacy of bitterness between some union and non-union employees.

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*See E. S. Savas and Sigmund G. Ginsburg, "The Civil Service: A Meritless System?" The Public Interest, Summer 1973, pp. 70-85; and Neal R. Pierce, "State-Local Report/Civil Service Systems Experience 'Quiet Revolution,'" National Journal, vol. 7, no. 48 (November 29, 1975), pp. 1643-1648.

**See David T. Stanley, "What are Unions Doing to Merit Systems?" Civil Service Journal, vol. 12, no. 13 (January-March 1972), pp. 10-14; and Dan Walters, "Is Civil Service About to Become Obsolete?" California Journal, vol. 7, no. 6 (June 1976), pp. 185-187.

Top management was critical of the situation, but they tended to adjust to it passively. No strategies for reform or resistance had been devised, although we were told that a SESA not in our sample, which was confronting similar problems, was pursuing such strategies. (For more on that, see Chapter VII.)

From management's viewpoint, unionization in this state had only one redeeming virtue. It had resulted in more competitive salary levels for ES workers. This SESA's salary levels, which previously had ranked near the bottom in its Region, were now among the highest. Administrators felt this had improved their ability to recruit and retain better staff. However, ES personnel in the other unionized states indicated that salaries there had been as yet little affected by the advent of collective bargaining.

Adverse effects were not nearly so pronounced in other SESA's with collective bargaining agreements, but management and staff often told us they expected such consequences in time.

The problems of civil service systems and public employee unionization, while varying from state-to-state, seem clearly to merit national level attention if Federal efforts to improve SESA performance are to be effective. This may prove especially difficult for the DOL since organized labor is generally perceived to be its particular constituency. Some general approaches to the problems will be considered in Chapter VII.

C. MANPOWER (CETA) AGENCIES

The Comprehensive Employment and Training Act of 1974 spawned a set of state level organizations with which state employment services interact in varying degrees. The organizations usually include: (1) a State Manpower Services Council (SMSC) with loosely coordinative functions for local prime sponsors and at least an advisory role in the expenditure of CETA "1 percent," "4 percent" and "5 percent" funds; (2) a State Manpower Planning Council (SMPC) with advisory responsibilities for operations of the balance-of-state (BOS) area; and (3) some type of "state manpower office" which often acts as staff to one council or both, administers BOS operations for the governor, and serves as his principal source of advice on manpower issues.

We found that the actual configuration and functions of these organizations were somewhat different from state to state. Both councils existed in most states, but in two a single council discharged both SMSC and SMPC functions. There was a single supporting staff in most cases, but in several states there were two. Some councils functioned as little more than rubber stamps for the director of the manpower office. But several frequently revised or ignored staff recommendations and gave independent advice to the governor.

BOS structures varied as well. In one state, the BOS directly performed nearly all the functions of a prime sponsor; in two others, all but a few decisions were delegated to area planning councils. In the latter cases, the state was little more than a conduit for passing Federal funds through to the local level.

The purpose of this section is to describe the ES's relationship to these structures. Our focus is on what responsibilities the ES has within and for these organizations, why it has them, and what effect these responsibilities have had on the ES.

ES RESPONSIBILITIES

In all sample states ES leaders served as ex officio members of the SMSC and SMPC. In all cases the ES provided standard labor market information (LMI) for the councils and manpower staff. This data was used to plan, to complete various Federal forms and to educate council members, many of whom had had little previous exposure to manpower issues. In several cases the ES provided periodic briefings to the councils on labor market conditions, and in a few it was being paid out of 4 percent funds to do special analyses aimed at meeting more directly the informational needs of CETA prime sponsors.

In most cases the manpower staffs and council members told us they thought the SESA was performing the LMI function as well as it could, given the limitations inherent in their funding and in BLS data packages. But many complained that such data were often too imprecise, especially for areas outside of SMSA's and for particular portions of large SMSA's.

Regarding other functions, there was great variety within our sample. In four states, former ES personnel played an important part in the state manpower staff or the council staffs. In one case the staffs were wholly composed of ES personnel and were housed within the SESA. In others ex-ES employees composed up to half the manpower office staff, with the rest coming largely from economic opportunity programs and CAP agencies.

The ES was contractual provider of at least some services in the BOS in every state we visited. The degree of involvement and the type of services performed varied greatly. In one state the ES received 80 percent of the BOS funding and delivered nearly all services, while in another it received less than 6 percent of BOS dollars.

In most sample states the SESA had a contract to make training allowance payments in BOS and was responsible for certification of eligibility for participation in public service employment. The reason for the former assignment, we were frequently told, was the fact that the SESA had developed a statewide training allowance payments system under MDTA and was thus the most logical deliverer. However, some manpower officials complained that the SESA overcharged for the service.

The eligibility certification function was reportedly delegated to the ES for two reasons, one operational and the other political. The ES already had a network of local offices around the state that could quickly implement the PSE responsibilities. Creation of yet another bureaucracy could thus be avoided. Also, the problems of political favoritism and corruption that plagued some prime sponsors could be minimized by vesting the function in the ES rather than alternatives such as county boards or judges.

There were no clear patterns across the sample states in the other BOS functions the ES obtained. In one state, the ES was responsible for nearly all job development and placement functions and performed them under a non-financial agreement, thus earning credit for them under the Federal funding formula. In most BOS areas, however, the ES shared this function with other agencies, sometimes receiving reimbursement for it from CETA funds.

In several balance-of-state areas, the ES ran institutional training programs, but in most it did not. In some states the ES was responsible for on-the-job training and work experience programs, but elsewhere those activities were run by CAP agencies. Several SESA's ran summer youth programs, but most did not. In one BOS area the ES delivered no specific programs, but ES staff, under personal service contracts, served as members of employability development teams. Each team provided all manpower services in one assigned part of BOS.

In two states it was impossible to get a comprehensive picture of ES involvement since contracting for services was left almost entirely to area manpower planning councils functioning on the local level.

REASONS FOR ES RESPONSIBILITIES

An analysis of our interviews identified several factors that together best explained the role ES's received in BOS operations. There was no single, simple explanation.

Some of our expectations were not strongly supported by the findings. For example, we anticipated that ES's whose placement productivity was higher were likely to get a greater share of BOS responsibilities. However, two of our three optimizing ES's were used very little in BOS operations. Similarly, we suspected that if the governor's manpower office was heavily staffed with ES people, the ES would end up with a large chunk of BOS responsibilities. However, in only one of the four states where ex-ES staff were in such positions had the ES become the dominant service deliverer. In a second state, the ES was a minor service deliverer, although its role was expected to expand in FY 1977. In two others, most contracting decisions were devolved to area councils, so the manpower staff exercised limited influence over them.

We found the ES's role was best explained by the "fit" between the priorities of the manpower staff and the ES, the view they had of each other, and the political influence of alternative service deliverers. Specifically, the following four factors seemed important:

- The manpower staff's perception of its own organizational needs and mission.
- Its view of the ES's ability to fulfill these needs and mission, in light of past ES performance.
- The ES's posture toward acquiring CETA functions.
- The existence and political influence of alternative service deliverers, especially community-based organizations (CBO's).

In different states these factors fit together in diverse ways to produce varying outcomes.

In some cases they worked to limit the ES's role. For example, in one Midwestern state, SESA leaders took a relatively agressive posture in selling ES services to prime sponsors but chose not to do so in the BOS because they thought an unimportant amount of activity would be involved. At the same time the state manpower staff, many of them veterans of economic opportunity programs, perceived the ES as unsympathetic to the disadvantaged and ineffective even as a labor exchange--although this ES, in fact, had very high productivity compared to those in other states. Also, the manpower staff was under pressure from the legislature and the governor to spread CETA work among multiple local deliverers and avoid creating another large permanent bureaucracy by building their own organization. Nevertheless, BOS officials felt that if they were to be responsible for performance, they wanted to maintain direct control of operations rather than subcontract extensively to delivery agencies.

To meet its own objectives and respond to political pressures, the manpower staff created "employability development teams" (mentioned above) and staffed them with ES, community college and vocational education personnel whose full-time services were purchased under contract from their own agencies. The upshot was that the ES received a very minor role in BOS operations and lacked full responsibility for any one function.

In a second state the main reasons for the ES's limited role as a service deliverer appeared to be the manpower staff's perceptions of ES performance and their own organizational needs. In this case, their low estimate of the ES was supported by the ES's relatively low productivity statistics. In addition, manpower office officials felt the need to build up their own staff. At the time of our visit that staff was 75, among the largest in our sample, although the state was the second smallest in terms of population. Accordingly, the ES got a contract only to perform OJT and PSE functions.

In the largest state in our sample political realities seemed the overriding influence limiting ES responsibilities. BOS administration was housed within the SESA and overwhelmingly staffed by ES personnel. Nevertheless, decisions about service deliverers had been decentralized to local manpower councils, apparently because the local situations were so varied and the in-fighting between contending service deliverers so intense that to do otherwise could have involved the manpower office in considerable political conflict. The role the ES played in BOS was thus settled at the local level much as in a local prime sponsorship. The ES role varied from one area of BOS to another and was reported to be generally limited.

There were at least two states in the sample where the four factors interacted to the ES's advantage. One was a Southern state with the most optimizing ES in our sample. The other was a Northeastern state with the least optimizing ES. In both cases vocal, competent alternative service deliverers were few in the BOS, and in both, the manpower office chose to contract out nearly all functions rather than run them themselves.

In the optimizing ES, the manpower staff had a favorable perception of the ES. This SESA had never made a full commitment to the HRD efforts of the sixties, something that elsewhere might have hurt its image in the eyes of manpower staff. But here the manpower staff and the ES shared a commitment, characteristic of that state, to general economic development rather than service to the disadvantaged as such. The ES was strongly identified with the economic development objective and, thus, was held in high regard. Furthermore, top ES leaders sought CETA work with the same entrepreneurial activism they displayed pursuing other opportunities for their agency. Lastly, legislative leaders made it clear to the manpower staff that they wanted the ES to run PSE in the balance of state and thereby avoid bureaucratic duplication.

The ES benefited greatly. It received 80 percent of BOS service delivery funding, ran all PSE activities, and had sole responsibility for all CETA placement functions. Through its control of the PSE program, the ES was in a position to acquire additional staff for its own local offices at no cost to itself. This, in turn, improved its already high statewide productivity and led to even higher Federal funding under the BPF.

One of the low-performing Northeastern SESA's benefited, similarly, from a manpower office disposed to contract out all BOS services and a lack of politically effective competitors in parts of the BOS. As a result the SESA captured over one-quarter of BOS funding. It seemed clear that the manpower staff understood this ES's organizational limitations, and the SESA had apparently made no special effort to capture CETA work. Yet, in the words of one manpower official: "In many cases they're the only game in town."

The ES was one of the few state agencies that had extensive operations in BOS before CETA. Accordingly, it obtained nearly one-third of the PSE positions allocated to state government for use in its own offices. This ES still remained a substantial underperformer despite the free extra manpower. At least two explanations come to mind. First, in so large and demoralized an organization, even several hundred free positions may have only a marginal impact. Second, the extra personnel may actually have had a positive effect, and productivity might have been even worse without them.

EFFECTS OF ES RESPONSIBILITIES

The effect on ES's of their ties to state level CETA operations varied with the nature of the relationship. The impact on placement performance cannot be estimated precisely, in the absence of quantified data and multivariate analysis. In one state the ES's role in CETA was so great that a favorable effect on performance was likely--the Southern state where the ES received 80 percent of BOS service delivery funds and ran the bulk of BOS activities (see page 61). The other eight sample states captured far less of the funding (from less than 6 percent to about 25 percent) and in most cases shared BOS job development and placement functions with other organizations. In these cases, the impact on performance was too small to be presumed without further research.

Nevertheless, even in these states CETA structures often helped the ES solve some important bureaucratic problems. In several SESA's, CETA activities clearly served to absorb excess staff that might otherwise have been laid off. In some states ES leadership had actively sought to fill the newly-formed state manpower offices with their own personnel. The motivation may have partly been hopes (generally unfulfilled) of cooptation. However, in several sub-optimizing ES's that were losing positions under productivity-based funding formulas, the primary reason seemed the desire simply to find jobs for ES employees who had administered MDTA and for whom there was no longer a place in the SESA. Similarly, the pursuit of some CETA service contracts were motivated in part by a desire to avoid staff reductions.

At the same time it was apparent in several states that assignments to CETA work allowed the ES, as one observer put it, to "get rid of deadwood and oddballs." Frequently, the latter were staff that had been brought into the agency during the HRD period. These individuals had limited interest in direct labor exchange services and were out of step with their agency's current emphasis on these functions. Their assignment or transfer to training and development programs seemed to solve both an organizational and personal problem.

D. OTHER HUMAN AND ECONOMIC DEVELOPMENT AGENCIES

The relations between the ES and state agencies responsible for welfare, vocational education, vocational rehabilitation, public education and economic development agencies fall into broadly similar patterns across our sample states. In many cases these relationships are largely determined by the structure of the programs these agencies deliver and the degree to which these tasks require interaction with the ES.

Within the general patterns we found variations, and these provided insights into an ES's character, how it had chosen to define itself, its status and credibility, and the culture of the state government in which it operated. While most of these institutional linkages had little direct bearing on ES productivity, in at least one case they appear to have a significant effect.

GOVERNMENTAL CULTURE AND ORGANIZATIONAL CHARACTER

Institutional linkages can be important indicators of the character of the ES and the general culture of government in a state. By governmental culture we mean the general values and attitudes with which business is conducted by and between public institutions.

For example, in a Northeastern state, we found that interactions between the ES (a sub-optimizing performer in a stagnant economic environment) and other service delivery agencies were relatively limited. Agencies were occasionally hostile to each other, and some actual conflicts were reported. The general atmosphere of government in the state was combative and contentious. Bureaucratic behavior in this state fit what many see as "normal" relationships among large organizations--competition for resources and functions and uncoordinated pursuit of separate organizational objectives. Since this was a large state, this attitude may have been caused in part by complexity and the limitations on personal contact associated with size. It also reflected the state's history of intense partisan in-fighting and violent industrial and racial relations.

Our interviews suggested that this ES was too preoccupied with its own problems and too fearful of involvement to engage in much cooperation with other agencies. It perceived such contacts to have been of little value--or even counterproductive--in the past. Thus, cooperation and coordination were not high priorities. Many people in this ES saw several other agencies as rivals or as working at cross-purposes with them. Other state bureaucracies had a similar view of the ES.

The contentious government culture, together with an unfavorable economic environment and the rigid, defensive characteristics of this ES, resulted in limited involvement with other state agencies.

A Midwestern ES operating in a more favorable environment provided a contrast. Its relationships, especially with the welfare and vocational education bureaucracies, were far closer. Unlike their counterparts in the first state, WIN staffs in welfare and the ES were trained jointly, used the same manual, and shared a single communication and monitoring system. ES officials met regularly and frequently with their counterparts in both welfare and vocational education. Communications were open and informal, and operational problems were dealt with promptly and collaboratively.

To some degree the difference between the two states could be explained by size, the latter state being smaller than the former. In part, they could be attributed to differences in urbanization and demographic heterogeneity. The first state has a polyglot population (including a high proportion of minorities) concentrated in medium and large cities. The second one has only one large city and is predominantly rural, with few minority citizens. To some degree the differences might be related to the unique impact of individuals in the second state. The individuals who run WIN in the ES and in welfare are close personal friends; the man who currently heads the governor's manpower staff, chairs SMSC and runs BOS, previously had been director of the vocational education agency and chairman of the SESA commission.*

But overlaying these factors was a fundamentally different historical experience. In the early part of this century, the Midwestern state had undergone an intense period of Progressivism, while the Northeastern state had not. Employment service officials and other state bureaucrats in the Midwestern state repeatedly mentioned that experience, and many perceived themselves as descendants of the Progressive tradition. Far more than elsewhere, the concepts of "good" government and "clean" government "serving the people" seemed a living part of governmental culture. While coordination and communication problems did occur, the impulse to seek common solutions to problems seemed strong enough to overcome tendencies to pull apart or operate separately. As one vocational education official told us, "It all comes down to people. We decided a long time ago in this state . . . that we'd cooperate. We just decided we were going to work together. There are day-to-day problems, but we deal with them as they arise."

In a Southern state we found the ES had even closer linkages to welfare and vocational education as well as the economic development agency. (For further description see page 67.) Here both scale and culture were cited by respondents as the dominant reasons. As one non-ES bureaucrat explained,

> "Our state is small enough so that there are a lot more personal relationships. . . . Natives of our state are clannish. We have been on the bottom so long racially and economically, that we felt we were the underdogs and that brought us together. . . . It is more this kind of thing than organizational structure, regulations or law."

Governmental culture seems more of a determinant of institutional linkages than formal structure. The Southern and Midwestern states--with their close institutional linkages--had a decentralized governmental structure, with many important agencies run by commissions that were relatively autonomous of the governor. On the other hand, the Northeastern state, where contact and cooperation were far weaker, was organized along more "modern" lines, with a centralized, governor-cabinet officer structure.

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*The influence of personality was important in other states, sometimes overriding the general government culture. For example we visited one Southwestern state where relations between the ES and most other agencies were described as "aloof," "unrelated" or "separate." A notable exception was the close tie between the ES and welfare, caused, we were told, by the long-standing friendship of the heads of state-level WIN offices in both agencies.

SELF-DEFINITION

The linkages between an ES and other agencies are an important indicator of how the ES defines its role. Two aspects of this definition are especially important: (1) mission definition, and (2) identification as a state or Federal agency. While all ES's were first and foremost placement agencies, some had other human service or economic goals as well. And while all are Federally-funded, some made a particular effort to be identified primarily as state agencies.

For example, one Midwestern ES worked particularly closely with welfare and vocational education, suggesting that this ES had a special commitment to the target groups served by these agencies. This hypothesis was borne out by our interviews with ES staff at all levels. Again and again, they explained their work in terms of "counseling inexperienced job seekers" and helping "the poor and the disadvantaged." It became clear that staff in this agency defined themselves in part at least as social service deliverers. This was the SESA mentioned earlier that persisted in maintaining an HRD-oriented posture, despite changes in national policy and financial incentives towards a placement orientation. (See page 42.)

Most ES's had fairly limited, routine relationships to their state's EDA. They regularly provided EDA officials with labor market information and saw them occasionally at meetings of various advisory boards. ES's were rarely involved actively in efforts to attract new businesses to the state or help them through start-up.

In one Southeastern state, however, the SESA emphasized close ties to EDA. There was extensive and regular ES involvement in EDA projects. The ES director was personally involved, at least at the start of such projects. That was a clear signal to subordinates. One participant noted, "The initial meeting is as high as possible in the organization. The boss had the first meeting, and it is clear to everyone this thing has priority."

The special attention to EDA suggested that this ES saw economic development as a uniquely important part of its mission. The impression was reinforced by the fact that state level ES officials had a cordial personal relationship with the top people in the state manufacturers association. Many ES staff defined their goals not only in terms of placements and jobs but also in terms of "improving the economic condition" of their state and community.

Apart from providing insights into how an ES defines its mission, the intensity of its institutional linkages indicate to what extent it has chosen to identify itself as a state agency rather than a separate or "Federal" one.

As noted at the outset of this chapter, the SESA's position between state and Federal governments has left them largely free to define themselves either as state or Federal agencies. Throughout our field work outside observers voiced the common complaint that ES's protected themselves from Federal direction by asserting they were state agencies and from state level involvement on grounds they were federally controlled.

Two ES's , however, were exceptions. These were the Midwestern and Southern ES's whose especially close relations to other agencies were described above. In both states outside observers repeatedly noted that the ES in their state tried to be a part of the state community. As one senior official in the Southern state said, "I do not feel they are arrogant or snobbish about being Feds. They do have substantial protection from political pressures, but they seem to work at being part of the community and the state." In contrast, many outside officials in other states had the perception that their ES was "a Federal agency not responsive to local or state needs."

It is perhaps significant that both these ES's were exceptional in several other ways. Both were among the most open and analytic in their internal style. The Southern ES was the most entrepreneurial organization in our sample, and the Midwestern one was the most innovative and experimental.

STATUS

The degree of state linkages may also be an indicator of the state level status and credibility of the ES. Presumably, if officials in other agencies are willing to cooperate with an ES, they must perceive it to be efficient and effective, at least in accomplishing tasks related to their own. Of course, institutional linkages are a two-way street. It may be that it is the capabilities and willingness, not of the ES, but of the other agencies that determine whether communication and coordination is intimate or distant.

However, officials in other state agencies may make such judgments by criteria different from the standards by which ES's are evaluated nationally, i.e., comparative standing in placement (or RAF) performance. The case of the high-producing Midwestern ES which was held in low regard by state CETA officials was mentioned earlier. Conversely, a second Midwestern ES with sub-optimal productivity performance had relatively high status among welfare, CETA and vocational education officials because of its continuing efforts to serve the poor and minorities.

TANGIBLE EFFECTS

Linkages to other state agencies generally appear to have little direct effect on ES performance in terms of placement productivity. Largely because of the influence of external factors, linkages simply were not close in most sample states. The size of state government in large states impeded interagency contact--particularly the familiarity and friendships which often cemented bureaucratic cooperation in smaller states. In states where government culture was contentious, skepticism and suspicion of other agencies prevailed. In states where economic conditions were adverse, bureaucrats often retreated into a shell to conserve shrinking organizational resources. Cooperation was seen as a waste of resources and of little potential benefit.

Furthermore, even where linkages were closer, clear productivity benefits to the ES were not evident. In all sample states linkages to welfare in running WIN programs seemed to have little effect on productivity because WIN placements were few and often difficult. Friendly relations with the vocational education bureaucracies also yielded few placements, since in nearly all states these bureaucracies had developed their own placement capabilities. They tended to send only the hard-to-place graduates to the ES, having placed the best students themselves. The potential benefits to the ES of close ties to secondary education, junior college, and state university systems were limited by similar developments.

Only in the optimizing, highly entrepreneurial Southern ES were the tangible benefits of institutional linkages great enough for a favorable impact on placement productivity to be probable. First, as described on page 61, this SESA obtained the lion's share of state level CETA placement funds as well as PSE positions from CETA. Second this ES's long-standing close linkages to vocational education appeared to have tangible results. Unlike other states, vocational education had largely refrained from setting up a separate, competitive placement structure of its own, relying on the ES instead. Relations were so close that vocational education personnel reportedly often completed ES transaction forms allowing the ES local office to get full credit for the placement--even though vocational education faculty were primarily responsible for it.

This ES's intimate involvement with EDA (see page 65) also seemed to yield direct benefits for productivity. Each time it recruited, screened and referred a work force for an incoming employer, the effort had its reward in immediate placements. But beyond that a relationship was established with the new firm which resulted in continuous orders and placements and in many cases an agreement to hire exclusively through the ES. In states not experiencing similar rapid economic growth, close links to EDA could not be as profitable.

It is unlikely that development of closer connections to other state agencies would benefit the placement productivity of other SESA's as much as the one just described. However, other SESA's may still have much to gain by carefully tailoring a "linkages strategy" to their own circumstances. Clearly, in Southern and Sun Belt states that are experiencing high growth, coordinated EDA-ES-vocational education activities aimed at new or expanding employers would seem profitable. In some states a vigorous effort to market effective placement services to educational institutions might still arrest the expansion of competitive and duplicative placement units.

Furthermore, the positive effects--beyond immediate pay-off in placements--should not be lightly dismissed. Our interviews have shown that as contact between the ES and other bureaucracies has increased, so has their appreciation of each others' missions, procedures and problems. The client may benefit from this improved understanding in ways not reflected in placement statistics. In addition, the image of the ES as part of the state and the community will be enhanced, and that may have long-term organizational benefits as economic conditions or manpower delivery systems change.

E. LOBBIES

Across our sample states we found only two state-level lobbies that have significant relationships with the ES--trade unions and Chambers of Commerce or manufacturers associations. Certain relationships seemed universal. In all nine states both groups were represented on the SESA's unemployment compensation advisory board. Everywhere, both groups were involved in the interplay around changes in unemployment insurance laws, eligibility rules and benefits. In all states, unions and business groups were involved in appeals of UI cases. Everywhere, the business group saw the SESA as at least occasionally taking an adversary role--as "advocate" of expanded benefits.

Largely because of close political affiliations between organized labor, the governor and his appointee(s), the departments in which the SESA is located in several states were perceived as "pro-labor." Even here, however, the SESA cooperated frequently with local Chambers of Commerce, providing labor market information and organizing joint meetings to explain unemployment compensation changes to businessmen.

In states where the trade union movement was weaker and anti-union sentiment was strong, the perception of the ES as "pro-labor" was considerably moderated. In these states the ES's saw themselves more clearly as a labor exchange, and hence were perceived to be more employer-oriented. Greater intimacy with the business lobby seemed especially marked in one state where industrial development is a general high priority. The business group had easier access and closer personal relationships to SESA officials here than was apparent elsewhere.

In short, the degree of SESA involvement with unions and business groups seemed largely a function of the political environment and the presence or absence of vigorous trade unionism.

Employer Advisory Councils (EAC) in Employer Services Improvement Programs (ESIP) played no identifiably important role in state level political and institutional linkages. In only one state we visited was there an active state EAC, and its main impacts had been at levels above and below the state. On several occasions that EAC had exerted influence effectively on Federal officials to obtain additional resources for its ES. At the same time, ESIP seemed to have more impact on ES priorities and operations at the local or district level than the state.

Similarly, SESA-wide advisory panels which existed in some sample states played a limited role. In several cases they were inactive, and in most others they were primarily involved in advising on unemployment insurance policy. In one state where the advisory group did seriously examine ES issues, the chairman indicated its impact, both on the political level and internally within the SESA, had been quite limited.

IV. LOCAL LINKAGES

SUMMARY

Like state level linkages, ES ties to local level government and other programs had little evident connection with placement productivity but were still important for local office operations.

In two sample states with high-performing SESA's, local governments lobbied to obtain ES local offices in their areas, often making offers of free office space. All nine SESA's faced local resistance to the closing of offices. Some SESA's had developed strategies, such as consultation with local officials, to deal with this opposition.

ES offices usually obtained a role in local CETA programs only if there was agreement on goals, and this usually depended on economic environment. In favorable settings, prime sponsors often emphasized placement goals, permitting a major role for the ES in CETA. In unfavorable, metro areas, they usually emphasized HRD, leading to more limited and contentious relations with the ES. However, ES aggressiveness in seeking CETA work, past personal relations with prime sponsor officials and the political clout of rival service deliverers sometimes were important in deciding the ES's role in CETA operations.

All SESA's doing PSE certification tended to "cream" the best PSE applicants for their own use, but optimizing agencies were much more likely than sub-optimal ones to use these personnel creatively to enhance productivity.

Local level political influence on personnel decisions tended to occur in those states where governmental culture was strongly infused with partisanship and patronage. In several large cities there was local ethnic pressure to hire office managers compatible with the local population.

Employer relations were generally in need of improvement. Relations were best where offices had emphasized placement even during the HRD period and could draw upon friends-and-neighbors ties to the local community. ESIP was found to be a promising approach to improving relations, but implementation problems require attention from SESA and USES officials.

ES relations with other local agencies tended to be contentious. Other human service programs often perceived the ES to be less client-oriented than they were. ES-Welfare relationships for WIN had sometimes been improved by collocation. ES relationships with CBO's and private employment agencies (PEA's) were almost always hostile.

There is a wide range of formal and informal interactions between a community and its local ES office. They include the participation of ES representatives in civic organizations and advisory groups, the ES role in local CETA programs, the influence of local employers on ES field operations, and the local political forces at work around the ES.

This chapter describes how and why these relationships develop and tries to identify patterns beneficial or detrimental to local ES productivity. The discussion also seeks connections between such local patterns and the overall productivity of SESA's. The following questions are posed: Does a particular pattern of local relationships prevail throughout a state agency? Do similar patterns exist for all optimizing agencies in our sample? Do the relationships between ES offices and local political, institutional, and constituent environments help explain why some SESA's are optimizing performers and others sub-optimal?

In Chapter III we found that SESA's linkages to state level government and agencies had less evident connections to performance than did the internal organizational features discussed in Chapter II. The same is true of the local level linkages discussed here. In general, optimizing and sub-optimal SESA's were not differentiated by their ties to local officials, other programs and employers. It was clear that certain types of local linkages and influences did affect ES field operations and local office performance. The nature and extent of these effects, however, depended heavily on external factors, such as local economic and labor market conditions.

Local influences affect ES productivity mostly through their impact on office locations and personnel resources of local ES operations and by molding their placement activities in various ways. The chapter will deal with these impacts under the following headings: local influences on ES office location decisions, local government contributions to ES offices (often the provision of PSE workers by local CETA programs), the effect of CETA on ES functioning, local political influences on ES hiring and promotion practices, efforts of local ES offices to improve relationships with employers, and linkages between ES offices and other local public agencies, including community-based organizations and private employment agencies.

A. LOCAL OFFICE LOCATION DECISIONS

Communities influenced SESA decisions on both the opening and closing of local ES offices. Local officials actively lobbied for ES offices in some states. In others, citizens resisted the opening of offices in their neighborhoods. In most states visited, the closing of local ES offices aroused considerable political opposition from affected communities.

LOCATING NEW LOCAL OFFICES

In the previous chapter we dealt with the effect of outside agencies, such as a state general services agency, on local office location decisions (page 53). We also mentioned instances where state legislators had prevailed on SESA management to open offices in their home districts (page 54).

Local officials lobbied their SESA's for ES field offices in two sample states. These were the two SESA's that had both optimizing organizational characteristics and favorable economic environments. In one of these agencies, a Farm Belt SESA, the strategy was to test the feasibility of such locations by first opening very small offices, staffed by one or two workers. They would later upgrade the office if sufficient demand for ES services materialized. The SESA also followed a policy of asking some assistance from the community requesting the office. In the past, communities had provided rent-free space for ES offices. More recently they had been offering space to the SESA at minimal costs.

In the other state, in the Southeast, there were substantially more communities requesting offices than in the Farm Belt state. In this state, ES resources were seen by communities as scarce and highly valuable. Communities wanting offices had to compete for these resources by offering the SESA some cost-saving incentives. The lobbying efforts were usually joint ventures of local elected officials and Chamber of Commerce representatives. These officials often made unsolicited offers of rent-free space and paid utilities, at least temporarily, in return for office locations in their communities. As the ES's director stated, "It's a prestigious thing [in this state] to have an ES office in your community. . . . That's the reason for the local government contributions of space for ES offices."

The above two states were the only ones in our sample where we found evidence of local governments requesting ES offices.* However, one other SESA had a central office policy to seek a commitment of equipment or space from local government after a decision had been made to open up a new office. As the director of this SESA stated, "We'll do anything to get them [local officials] committed with resources so they are part of it and have a sense of proprietorship and interest." However, we saw or heard of no offices in this state that had received such local support, nor were our interviewees aware of local officials offering subsidies to attract an ES office to their community.

The two SESA's receiving requests from communities for offices were optimizing agencies in favorable economic environments, with low unemployment rates, an expanding industrial base, and many low-wage job openings. Local officials in these states were therefore impelled to seek ES offices by local manpower needs. The offer of rent-free space or other subsidies by these communities reflected strong local demand for ES services. Local officials were attempting to attract ES offices in much the same way they tried to attract new employers.

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*This does not mean, however, that local officials only lobby for offices in states with generally favorable environments. In a Northeastern state briefly visited (not one of our nine sample states), the state economic situation on the whole was unfavorable. Yet, we found instances where lobbying had occurred and local governments had subsidized ES office locations. However, these were in communities with industrial growth and expanding employment opportunities.

This combination of strong demand and a willingness of local government to subsidize local ES operations clearly differentiated these optimizing states from all others in the sample.* In other SESA's, even in favorable environments, we did not find local governments lobbying for offices. The reasons, in part at least, appear related to differences in SESAs' organizational characteristics and managerial style.

High demand for ES services was due to the high performance of the SESA as well as economic conditions. The optimizing SESA's had a track record of consistently high productivity. As a consequence, they enjoyed higher credibility within their states as labor exchanges than did sub-optimal agencies. These two optimizing ES's had developed close ties to other public agencies at all operational levels, a feature encouraged by the entrepreneurial character of their top administrators. They also had little competition from other labor market exchange agents such as private employment agencies. In most areas they were the "only game in town." Thus, organizational dominance reinforced favorable labor market conditions, causing high demand for ES services at the local level. There was substantially less demand in states with sub-optimal SESA's even when they had similar economic environments.

The contribution of rent-free office space or other subsidies of overhead costs by local government was beneficial to the placement productivity of optimizing SESA's. The capital savings due to the subsidies could be applied to personnel costs. That is, agencies could support more staff in the field on a given operating budget than SESA's without such subsidies. All other things being equal, this meant more placements for already optimizing ES's and an improved position for the next round of Federal funding.

It became clear from our field work that local governments could also affect ES performance negatively. We encountered a few instances in one state where local officials had acted to prevent SESA's from opening offices in better locations, contributing to a less than optimal allocation of ES resources in and among communities.** Local politicians in one large metro area sometimes opposed office openings because their constituents felt that ES offices would bring black job seekers and unemployment claimants into white neighborhoods. In several cases, such resistance had prevented the relocation of ES offices from heavily black areas to more central locations.

Other constraints on office location were alluded to in the previous chapter. In most states, we found that landlords were willing to rent property for an ES-only office, but not for an office involving UI unless a relatively long-term lease was offered. In one sub-optimal state, ES office space was usually rented from local partisans who had supported the governor in his election campaign, leading to less than optimal locations for offices in many communities.

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*See previous footnote.

**While we observed this phenomenon in only one of our sample states, we heard of similar episodes in a state not visited during this study.

CLOSING OF LOCAL OFFICES

Closing a local office was difficult for all the SESA's studied. Five of the nine SESA's could not close offices at all because of local opposition. The other four could do so, with varying degrees of difficulty and using a variety of strategies.

SESA's might be unable to close offices for quite different reasons. Typically, in unfavorable environments, many metro offices served mainly disadvantaged minority neighborhoods. Attempts to close these offices were perceived as injurious to minority clientele and aroused corresponding resistance. In one state, repercussions from attempting to close one metro office had made the SESA "gun shy" about attempting to close any office. Local opposition to this closing had been led by the office's own staff. They had contacted local elected officials and community leaders, who in turn had protested to state legislators, the governor and Congressmen.

On the other hand, one of the optimizing SESA's found itself unable to close offices because of strong local demand for ES services, as mentioned above. In this state, the SESA could not even discuss an office closing with local officials without them immediately appealing to state and Federal elected officials.

The SESA's which were able to close offices primarily used the tactics of consultation with the affected local interests and politicians. One SESA typically met with local elected officials, the Chamber of Commerce, the public employees union and other affected groups to discuss the reasons for closing or moving an office before making the final decision. The agency would use the local press to publicize the reasons for closure and assure the community that employment services would still be available at the new office location or in a nearby town. This SESA had been able to close several offices without embroiling itself in controversy.

Another SESA also used the tactic of consulting with state legislators whose constituents would be affected by an office closing. This SESA would cancel a closure if the legislator reported substantial opposition from local officials. State legislators and local elected officials sometimes asked the SESA not to close offices when elections were pending but reportedly allowed it to do so after the elections.

An optimizing SESA in the Midwest could not close offices because of local opposition but would downgrade an inefficient operation from a full-functioning office to a "satellite" office. Another optimizing SESA closed a number of low-producing offices in a metropolitan area and reassigned the staff to a central metropolitan office. Community-based organizations in the affected areas had characterized these closings as the "ES withdrawing from the ghettos." SESA management replied that total staff resources available in the metro area had not been cut, only relocated.

There is little discernible pattern in local opposition to office closings. The SESA's which were able and unable to close offices included both optimizing and sub-optimal agencies operating in both favorable and unfavorable environments.

Sub-optimal agencies in unfavorable climates, however, were the least likely to develop strategies for minimizing opposition and the most likely to suffer because of an inability to move offices. Since local offices in these states tended to be relatively large metro operations with large staffs, inability to redeploy these resources to more productive offices was costly in terms of placement productivity. In contrast, optimizing SESA's which were unable to move offices suffered relatively little. Their offices were usually eight-to-ten-person operations in small towns, and even the less efficient of these offices often exceeded the average productivity of offices in sub-optimal SESA's.

By acting to prevent SESA's from closing offices, local government officials helped perpetuate inefficient allocations of ES resources. A local office that was no longer centrally located or had inadequate facilities could otherwise have been moved to a better location, presumably with a greater return in productivity per staff.

B. ES INVOLVEMENT IN LOCAL CETA PROGRAMS

In this section we will concentrate on ES linkages with CETA prime sponsors, since connections to CETA balance-of-state (BOS) operations were covered in the previous chapter.

GENERAL DETERMINANTS: PROGRAM GOALS AND ENVIRONMENT

Perhaps the most important relationship local ES operations had to other agencies was with local CETA programs. The nature of the ES and CETA programs preordains that the relationship between them will be important yet problematic. On the one hand, collaboration is bound to be extensive. The two programs provide manpower services that are in many ways complementary, and ES agencies have in fact obtained a major role in many CETA operations. Many ES local offices perform intake and referral functions for prime sponsors, and ES involvement sometimes extends also to job development, placement and some kinds of job training (chiefly OJT and Work Experience).

On the other hand, the ES is not a presumptive deliverer of services for CETA as it was for MDTA. With the advent of CETA, officials in charge of training and job development programs have been able to take a "show me" attitude towards the ES and require it to justify its involvement in these activities. The legislative intention that the ES should have to compete with other agencies for a role in CETA has become a reality of which all SESA's we visited were keenly aware.

Further, the missions of the two programs at the local level can become sufficiently distinct to pose questions of compatibility. The ES is centrally a job placement operation, although its mission has included other services as well. The labor exchange approach to manpower presumes that most applicants are job-ready and that jobs are available. The task is essentially to match applicants with jobs. The experiences of the ES as it moved toward an HRD orientation and back again has tended to confirm that job placement is the central ES mission. This approach to manpower services has proven most successful in favorable economic environments, where growth and prosperity have created a strong demand for labor.

On the other hand, CETA, like MDTA before it, takes a training and development approach to manpower. Since CETA is meant to be highly responsive to local environments, the program often adopts a placement emphasis similar to that typical of the ES in areas where unemployment is low. Many prime sponsors,* however, function in urban settings where employment opportunities are declining, especially for disadvantaged and minority groups. Hence the programs concentrate mostly on training applicants who are not yet job-ready and developing jobs for them either in the private sector or, if necessary, through public employment. In such settings the training allowances and salaries that flow through CETA programs in effect perform an important income-maintenance function.

Our research indicated that the extent and nature of the relationship between the ES and local prime sponsors depended mainly on how the difference in program orientation was resolved, and this hinged primarily on whether the economic environment was favorable or unfavorable. As a rule, ES agencies could obtain entry to CETA activities only by serving the local program objectives of prime sponsors. However, the extent to which local CETA goals diverged from those of the ES depended heavily on the environment.

At one extreme, in two states with favorable environments, the two SESA's (both optimizers) were able to obtain a large share of local CETA funding. This seemed possible because CETA sponsors adopted an orientation very congruent with the ES's. CETA funding was focused particularly on short-term OJT and Work Experience and emphasis was placed on making applicants available to meet strong labor demand.

At the other extreme, a few ES agencies may obtain a leading role with prime sponsors in large metro areas mainly because they themselves espouse the strong HRD orientation characteristic of most CETA programs in unfavorable environments. The one SESA in our sample which had maintained this orientation in the face of national policy stressing placement had obtained, in consequence, a strong position in CETA in the largest city of its state.

More commonly, the ES-CETA relationship was not clearly dominated by the typical goals of either program. Rather, a complex pattern of cooperation and tension could be seen, with each trying to obtain benefits from the other to serve its own ends.

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*Prime sponsors are state and local governments which receive Federal financial assistance for comprehensive manpower services under the Comprehensive Employment and Training Act. They are cities and counties of 100,000 or more, and consortia, defined as any combination of government units in which one member has a population of 100,000 or more. A state may be a prime sponsor for areas not covered by local governments.

Thus, there was considerable variety in these relationships, not all of it explicable in these broad terms of local program objectives and environment. The three optimizing SESA's, for example, all took different approaches to CETA. The two which enjoyed favorable environments adopted an entrepreneurial stance to CETA and encouraged their local offices to seek an active role in prime sponsor operations. One, however, tried much harder, and more successfully, for BOS funding than the other. The optimizing SESA in an unfavorable environment took a more flexible stance and delegated decisions about the extent of involvement to its area or local managers. The general criterion was to seek a role in CETA where it would benefit local operations but decline it where local placement productivity might suffer.

The sub-optimal SESA's, for their part, followed quite different strategies. In favorable environments they generally took a much more cautious stance towards CETA and obtained less involvement, but again with considerable variation both among and within states. In unfavorable environments sub-optimal SESA's decreed local involvement for bureaucratic reasons. They wanted to maintain old MDTA positions with new CETA funding.

Beyond that, linkages were often molded by personal relationships between local ES management and CETA officials. Overall considerations of environment and congruence of program emphases might limit possible ES access to CETA, but ES officials were often able to use their personal and professional ties to obtain more CETA work than would otherwise have been the case.

The factors influencing ES-prime sponsor relationships are considered in greater detail in the next section. It is followed by discussion of PSE contributions to the ES and the effects of CETA participation on ES productivity.

FACTORS INFLUENCING THE ES-PRIME SPONSOR RELATIONSHIP

Prime sponsors made their decisions about whether to give the local ES a role in their activities, and what kind of role, through an essentially political process--as intended by the CETA legislation. Formally, representatives of the community sitting on the local manpower planning council (MPC) were supposed to advise the prime sponsor as to the type of service delivery system to be implemented, the mix of services, and who the service deliverers should be. In practice, we found that such decisions were often made by the prime sponsor administrator and his staff and then passively approved by elected officials on the executive committee.

Decisions among possible programs and service providers, including the ES, hinged on assessment of their past performance or future ability to serve the community. The assessments tended to be relative in nature--among the contending deliverers--and did not evaluate program success in absolute terms. They also hinged less on formal analysis or evaluation than on advocacy by the rival deliverers and their relative influence with the decision makers. In metro areas, this often favored community-based organizations (CBO's) at the expense of the ES.

Our research indicated that the three main determinants of prime sponsors' decisions about the role of the ES were:

- The prime sponsor's own definition of its role and purposes.
- Its assessment of the ES's ability to advance these purposes.
- The relative influence of the ES and competing service-delivery agencies such as CBO's.

Whether these factors favored an ES role or not seemed to be influenced more by the economic environment than by the optimizing or sub-optimal performance of the SESA.

PRIME SPONSOR'S GOALS

The most important issue generally was whether the local ES's performance was congruent with the goals of the local prime sponsor. In areas where congruence was low, other service-delivery agencies were likely to be influential, and the prime sponsor was more likely to award its service contracts to them than to the ES.

In Southeastern and Southwestern states, the congruence of prime sponsor and ES program objectives tended to be close, favoring a large role for the ES in CETA. The prime sponsor tended to emphasize the on-the-job training and job placement components of CETA Title I, and this brought its objectives close to those of the ES. The ES was also often the dominant deliverer of manpower services in the state, and prime sponsors had few alternatives to which to turn. The optimizing Southern SESA in our sample was virtually the only deliverer of CETA placement services in its state.

On the other hand, congruence was low in Northeastern metro areas and in the industrialized Western state in our sample. Here, prime sponsors took a strong HRD stance, were critical of ES performance, and were under considerable political pressure from CBO's. Accordingly, the ES role tended to be confined to intake and referral functions--and in many cases not even that. However, the ES fared better in the more rural areas of these same states, because the congruence of prime sponsor goals and ES performance was higher, and alternative service deliverers were few.

In Farm Belt states, favorable economic conditions again favored a major ES role in CETA, but not to the same extent as in the South. Other providers of manpower services were present, and there was political pressure on many prime sponsors to give these providers "a piece of the local CETA pie."

PRIME SPONSOR ASSESSMENT OF ES PERFORMANCE

In theory, prime sponsor evaluations of competing service deliverers are supposed to involve some degree of formal analysis. CETA regulations require prime sponsors to assess and evaluate the performance of program operators contracting with them.

In practice, in most areas visited evaluation rarely occurred. The DOL regulations are vague about how evaluation is to be done. The Program Assessment Guide for prime sponsors emphasizes "assessment" over "evaluation." Assessment is defined as "the review of performance against planned goals and objectives" and evaluation as "the measuring of effectiveness and impact of program results in terms of participants, program activities, and the community."

In most of the prime sponsors we visited, Manpower Planning Council (MPC) committees or manpower staffs did little or no evaluation of program operators. Instead, most prime sponsor effort was spent on monitoring whether operators' activities matched the planned activities forecasted in their contracts. Even this monitoring data was rarely analyzed and played little role in awarding or shifting programs among contractors, setting funding levels, or assessing effectiveness.

Evaluation systems were in use in two prime sponsors visited. Findings from the systems had been used to determine the performance of operators, need for corrective action, and, in a few cases, whether to continue funding certain programs and service deliverers. However, one of the prime sponsors had deliberately set aside these objective findings on a number of occasions. The city's mayor had reversed contract award decisions based on the findings in order to favor community-based organizations that were more influential politically.

In default of formal evaluation, prime sponsors appeared to make decisions about the role of the ES according to generalized perceptions of the agency. Until CETA, local governments had no formal responsibility to evaluate the ES. However, local officials had often worked with the ES under Concentrated Employment Program (CEP), Public Employment Program (PEP), or Cooperative Area Manpower Planning System (CAMPS) auspices. These earlier experiences had resulted in general impressions, internalized among local manpower staff and elected officials. They had formed opinions about how well the ES had coordinated MDTA programs, its referral record in training programs, its credibility with particular target groups of concern to local prime sponsors, and its effectiveness in placement.

A major factor in prime sponsors' funding decisions was whether the ES was a credible placement agent for the applicant groups of most concern to CETA. If an ES metro operation was perceived to be effective in placing these groups, it was more likely to obtain an important role in CETA. As a rule, credibility of ES metro operations was high in small, Southeastern and Southwestern states, fair in Farm Belt states, and usually low in the more industrialized Western and Northeastern states studied. Once again, the outcome seemed best explained by whether the economic climate was favorable or unfavorable.

In rural areas and small cities, ES operations tended to have a good reputation as labor exchange intermediaries and providers of manpower services. The reasons were that the employment environment was generally favorable and that ES offices in such communities tended to be relatively more efficient.* Typically, the ES obtained a strong role with small town prime sponsors in part because the latter shared the strong work ethic of these regions as well as the ES's commitment to placement goals.

On the other hand, ES operations in large metro areas usually had low credibility with prime sponsors. Here, economic conditions had generally been unfavorable, and ES productivity had usually been low. Local officials in the Northeastern and Far Western metro areas visited usually took a skeptical view of what the ES could contribute to CETA operations. In part, the reason was that the prime sponsors had HRD goals of serving the difficult-to-place, while the ES was perceived as serving mainly the job-ready and neglecting the disadvantaged. Accordingly, prime sponsors have tended to assign most service delivery responsibilities--including job development and placement--to CBO's and other competing manpower agencies.

However, there was much variation, showing that economic conditions were not the only determinants of ES credibility. For example, in one Northeastern state, ES's in two large metro areas had very different reputations with their communities. One operation was in disrepute with local officials who perceived that it had failed in the HRD period, alienated minority people, misallocated its resources in the community, and done a poor job as a placement agency. The other metro ES, however, was viewed by local officials as critical to the city's manpower program. The manager of the largest ES office had been extremely active in civic affairs and sat on the board of directors of a local CBO. This was an instance where the personal influence of ES officials helped them obtain an important role in CETA in unpromising settings. Local officials had the perception that this office had done a good job during the HRD period. Its placement performance was higher than would be expected, given productivity in the rest of the SESA and adverse economic and labor market conditions.

INFLUENCE OF ALTERNATIVE SERVICE DELIVERERS

In part because prime sponsor evaluation of competing manpower agencies was not rigorous, political considerations often governed the award of service contracts under CETA, particularly in metro areas. Local officials weighed not only the perceived past and potential performance of the competing agencies, but their comparative political clout. In such a contest, the outcome for the ES often hinged on the organization's local influence relative to that of CBO's or other alternative deliverers.

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*It was observed in Chapters I and II that SESA's characterized by small scale were generally more productive than large-scale ones. States small in size and population and with few metro areas had smaller SESA organizations and tended to have smaller and more productive local offices than large states with many metro areas. A smaller office permitted more personal and, apparently, more effective service. Also, in small communities where "everyone knows everyone else," the ES could be an integral part of the "friends and neighbors" structure governing most social and economic interchanges, including hiring. In Chapter VII, we discuss whether attributes of these small-scale operations can be transferred to metro environments where productivity traditionally has been low.

In Southeast and Farm Belt states, and in the small cities and rural areas of other states, the ES was in a strong position for CETA work because competing organizations were few and politically weak. In many such areas the ES was the established labor exchange agency, and few other public or private employment agencies even existed. Where CBO's existed, their influence was limited by strong work-ethic attitudes favoring the ES's placement orientation over an HRD orientation, and the ES was politically dominant. Even in the larger metro areas of these states, ES agencies were able to equal or exceed the influence of CBO's, in part because these areas were smaller and less numerous than in the more industrialized states.

The ES had considerably less influence than CBO's in the metro areas of Northeastern and Western states. Here, because of unfavorable economic conditions, the placement emphasis of most SESA's was difficult to "sell" to prime sponsors politically. CBO's favoring an HRD approach were able to mobilize a large political base in the sizeable minority populations of these areas. Their political influence in prime sponsor deliberations was due not only to their aggressive advocacy in the local MPC but to their ability to organize their constituencies in local electoral politics.

One Sun Belt state in our sample presented a mixed picture. In two of the four metro areas visited there, the ES was holding its own with the CBO's in terms of acquiring CETA responsibilities and funding. In one, the ES district director was the new chairman of the prime sponsor's MPC. In the other, ES staff supervised and manned parts of the central administrative operations for the overall CETA program. In the two other metro areas, on the other hand, the CBO's clearly had stronger political connections than the ES, in part because they were more involved with local politics and had larger and more politicized minority populations to draw on. This state illustrated very graphically the situation of mixed cooperation and tension, due to different goals and clienteles, which characterizes most relationships between the ES and CETA at the local level.

The following quotes from respondents indicate how the interplay of ES and CBO influence could enter into CETA decision making:

Northeastern Metro CETA Administrator: "[I] have to do a little back-scratching. . . . It's mutual back-scratching. . . . I'll keep them [the ES] from losing too many slots due to CETA, and they'll pay in kind. . . . I tried to cut [a CBO's] budget along with everybody else. . . . [The CBO] has been crap shooting ever since. . . . It has got a lot of political contacts. . ."

Farm Belt ES District Director: "If I were to vote against the prime sponsor's manpower director on, let's say, Neighborhood Youth Corps because I really felt [a CBO] could do a better job [than the prime sponsor's manpower staff], then he would vote against the ES getting a contract--not on the grounds that we were not effective, but solely on political grounds."

Sun Belt
Metro CETA Administrator: "We used to give sole source contracts to everyone, but DOL stopped that. . . . If we kept statistical data that showed [CBO's] not effective, then, theoretically, we could take dollars away from some CBO's. But others--no way . . . , too politically involved. . . . Funding time last year, things got heated. . . . [A CBO] disagreed with allocation, and it took two to three weeks of city council involvement to settle it."

Southeastern
ES Official: "[The CBO Director] is a very influential person. . . . He's a politician that doesn't run for office. . . . He's very close with [a State Senator] who's on the State Senate Appropriations Committee . . . , plays golf with him often, old buddies. . . . Also, [CBO Director's] son is on governor's manpower office staff. . . . That might have had a lot to do with him getting the CETA activity out here [ES had it previously]. After all, the manpower office is the one that gave it to him."

PSE CONTRIBUTIONS TO THE ES

We turn now to an important subsidy of ES operations by local government--PSE positions contributed by prime sponsors. All of the SESA's we visited were receiving PSE slots from prime sponsors under CETA Titles II and VI. Six of the nine obtained significant numbers of PSE workers (4.5% or more of their total staffing).

Some local offices were able to obtain PSE positions because of personal friendships with CETA officials, through bureaucratic politics, or simply because the prime sponsor needed to obligate PSE funds quickly. The PSE workers were used by ES offices either in clerical support positions--freeing regular ES staff for placement, employer relations, job development, or other functions with a more direct impact on productivity--or they were used directly in placement or intake activities.

Obviously, PSE positions are a boon to ES productivity results, since they contribute placements directly or indirectly without costing the ES salaries. A SESA with many of these positions is more likely to do well on the RAF than one with only a few, all other things being equal.

However, other things rarely were equal. Whether PSE positions were used productively appeared to be more the result than the cause of whether a SESA was optimizing or sub-optimal. The SESA's which were already optimizers for other reasons tended to be the ones which used PSE slots most effectively, while sub-optimal SESA's typically used them with less effect.

As a rule, local ES offices in all states which had responsibility for PSE referral and certification used this authority to "cream" the best applicants to work in their own offices. One optimizing SESA obtained PSE workers with college educations and work experience and used them for the central ES service function--placement interviewing--in local offices. One supervising interviewer in a three-man local office told us that the one PSE worker employed there "was responsible for more placements than either of the other two." Clearly, this state's PSE staff had a direct impact on placement productivity, which in turn gave the SESA more funding under the BPF and RAF.

Another optimizing SESA similarly was able to obtain high-quality PSE workers and used most of them either as placement interviewers in small local offices or as analysts in the central office's research and statistics unit. However, BOS authorities had allotted this ES no PSE slots "to avoid a conflict of interest" since the ES was responsible for determining which positions in public agencies were eligible for PSE workers.

Local offices also used PSE positions to hire minority workers and fulfill affirmative action staffing requirements--often the only way they could hire such workers.* Most local offices sought to shift a large proportion of PSE participants into regular ES positions, something other public agencies using PSE workers were rarely reported to be doing.

The two optimizing SESA's mentioned above were unusual in their use of PSE workers. Most SESA's used their PSE positions for non-professional, clerical responsibilities in relatively large offices. One reason, no doubt, was that PSE recruits in these states were relatively less educated and experienced than those used in optimizing agencies for placement.

However, one low-performing metro office in a sub-optimal SESA was able to use PSE workers in a creative way. Placement teams for separate occupational categories were organized to include the PSE workers, who did file search for their teams. The system worked. Office performance noticeably improved. However, the PSE positions were eliminated when the prime sponsor ran out of PSE funding, and the office reverted to the less productive practice of doing little file search.

As a rule, sub-optimal SESA's did not seek PSE slots aggressively or use them imaginatively. One sub-optimal SESA had taken a hostile attitude towards CETA in the first year of the program, although it had become more cooperative in FY 1976. In the words of one state government official, the agency's attitude toward CETA had been: "Here's what we got. . . .

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*In some states very few minority applicants scored high enough in civil service entrance exams to be eligible for ES openings. However, local managers reported that minority applicants who had worked in ES local offices in PSE positions were able to markedly improve their exam scores. As a result, they qualified for entry into regular ES jobs. In one state, local office managers would sometimes petition the state civil service commission to waive exams on the grounds that PSE minority workers were qualified to fill ES vacancies because of their work experience and proven ability on the job.

It's good. . . . If you want it, ask for it!" Local office managers we interviewed in this SESA believed that PSE workers would be counterproductive rather than helpful to them. They believed that these workers would only incur training expenses and other costs due to the short-term nature of their assignments while disrupting office procedures and otherwise contributing little to office productivity.

EFFECT OF CETA PARTICIPATION ON ES PRODUCTIVITY

A SESA's involvement in CETA affected ES productivity in complicated and, usually, marginal ways. Once again, outcomes seemed strongly related to economic conditions. SESA's enjoying favorable environments appeared to profit from their CETA participation, mostly because strong demand for labor would have rewarded almost any placement strategy with success. Those in unfavorable climates found that the CETA connection rarely increased productivity results, and might have even harmed them. However, much still depended on how well an agency used its CETA opportunities. The three optimizing agencies appeared to profit from CETA not only because two of them were in favorable environments but because the organizations used their CETA resources in enterprising ways.

As mentioned already, there was no simple connection between whether a SESA was optimizing or not and the relations it had with CETA. The two optimizing SESA's in favorable environments had extensive involvement in CETA, but the optimizer in unfavorable conditions allowed a mixed pattern among its local offices. The central office policies of the three agencies towards CETA were all different. One sought maximum involvement with CETA at all levels, one sought involvement with prime sponsors but not BOS, and one delegated decisions to local officials.

The sub-optimizing agencies also showed a range of relationships and policies. Those in favorable environments generally did not follow an agency-wide strategy of promoting involvement in local programs. Sub-optimal SESA's in unfavorable environments attempted to maximize the role in local programs for bureaucratic reasons--to sustain old MDTA staff positions with new CETA funding.

A favorable environment almost guaranteed that CETA involvement would be profitable for an agency, whether or not it used the opportunity well. In these states, "discouraged" workers and the difficult-to-employ were not only entering the labor force but finding jobs. Unemployment rates were relatively low, even during the recent recession. In this environment efforts to place CETA trainees were likely to be successful, at limited expense to a SESA. In effect, the cost-benefit ratio of CETA involvement was low.

However, organizational performance still made a perceptible difference in how well CETA resources were used. The optimizing SESA's exploited their CETA connections to the full, or nearly so. They perceived, for instance, that they should perform CETA placements using Wagner-Peyser rather than CETA funding, in order to enhance productivity results and hence improve their funding under BPF and RAF.

The sub-optimizing agencies, on the other hand, benefited from CETA only fortuitously, because of the favorable placement environment, and not because they made best use of the opportunity. Most of these agencies allowed organizational problems to impede their liaison with CETA. One SESA with generally good credibility as a program agent was basically hostile to CETA. The agency allowed local offices to accept CETA responsibilities when prime sponsors offered them, but it did not seek them out. It also made the tactical error of charging the prime sponsors for placement services, thus obtaining no credit for these placements under Wagner-Peyser.

In unfavorable environments, no SESA we studied found it easy to use the CETA connection profitably, and losses from CETA involvement were a real possibility. In this setting, demand for labor was so low that even skilled and well-educated workers had trouble finding work. Title I trainees were definitely more difficult to place, although they were supposedly job-ready. Local ES operations were forced to concentrate their resources on the easy-to-place in order to maintain even passable productivity levels. It was much more expensive to place applicants of the kinds most common in CETA--the disadvantaged, members of minority groups, and those without work experience. Further, competition from other agencies (such as CBO's) doing placement in a metro area might cream off the easiest-to-place even from these groups, leaving the most difficult to the ES. Hence, the cost-benefit ratio of CETA involvement was high, perhaps prohibitively so, for ES programs in unfavorable environments.

In such settings, local offices that sought CETA placement work would tend to make fewer placements per unit of staff time than offices that concentrated on the job-ready. This led to low productivity results and lower Federal funding in the next budget cycle. Further, the attempt to serve CETA applicants might also result in a lower rather than higher reputation for the agency in the local community. A low success rate in placing trainees might only confirm adverse community perceptions of the ES and make it a scapegoat for the local CETA training agencies. Many local offices in the optimizing SESA with an unfavorable environment apparently concluded that they should not raise expectations they could not fulfill and that they should stick to placing the job-ready, where success was more likely.

While these considerations caused some SESA's in unfavorable settings to seek little CETA involvement, some sought it anyway for political and bureaucratic reasons. These SESA's wanted to keep control of manpower services they had previously administered under MDTA, and they needed CETA funds to carry personnel previously assigned to MDTA. However, the resulting commitments to CETA could not be discharged effectively and led to lower and lower productivity. In other words, involvement which seemed rational from a political or organizational point of view led to resource allocations that were inappropriate for effectiveness and efficiency.

Optimizing SESA's in favorable environments usually permitted their local offices to negotiate for themselves with prime sponsors. These agencies were already secure in their communities and in BPF* or RAF performance, and CETA involvement could only improve their position at little cost to themselves. The sub-optimal agencies seeking CETA funds for bureaucratic and political reasons, however, often had to force the policy on their local offices. An issue of organizational survival was felt to be at stake--one, furthermore, which might pit the interests of the central office against those of local operations. One sub-optimal SESA used central office staff to negotiate all local CETA contracts, giving local ES officials little role. Decisions were later decentralized to the district level under Regional Office pressure, but the result in some areas was still to divert resources away from mainstream placement functions into relatively unproductive CETA activities.

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*The Balanced Placement Formula (BPF) was used to allocate ES funds to SESA's in FY's 1975 and 1976. It was replaced by the Resource Allocation Formula (RAF) in FY 1977.

C. LOCAL INFLUENCES ON ES PERSONNEL MATTERS

The previous chapter described instances of interference by state level politicians in ES personnel matters. In five SESA's we also found evidence of local political involvement in decisions on appointment, promotion, retention, and termination. Not surprisingly, four of the five were the same SESA's in which state level political interventions were most frequent.

The form of the local intervention varied. In a highly politicized Northeastern SESA, it was widely reported that many district and even local office appointments were cleared with local politicians or, in some cases, initiated by them. In a Southwestern SESA, a review board made appointments to district administrator positions, and local elected officials and a representative of the governor sat on that board.

Political pressures on personnel decisions sometimes stemmed from local ethnic preferences. In one large, urbanized state, some local office managers had been recruited during the HRD period from outside the ES to run ghetto and barrio offices. Some of these managers later proved less than competent. But their political ties to the minority community and local politicians made it impossible for the SESA to replace or downgrade them. In one city, community leaders and local politicans were pressuring the SESA to fill a local office manager position with an individual of an ethnic background compatible with the local population. The SESA had resisted but had left the position vacant to avoid a confrontation.

While local political influence in personnel matters occurred in both optimizing and sub-optimal SESA's, it was most frequent and disruptive in three of the sub-optimal agencies. The roots lay, not only in serious organizational and managerial problems specific to these SESA's, but in a general governmental culture strongly infused with partisanship and patronage.

D. EMPLOYER INVOLVEMENT IN LOCAL ES OPERATIONS

Employer relations are a critical link in the ES placement process. Staff that we interviewed in offices with low productivity often attributed their problems to decreased use of the ES by employers. They recognized that an increase in employer confidence in the ES was central to improving program performance.

The quality of relations often appeared to hinge on how offices had dealt with employers during the HRD period. Local staff who mentioned poor relations as a cause of low productivity usually gave HRD as the reason. During the 1960's, most SESA's emphasized services to the difficult-to-place. An applicant orientation displaced the earlier employer orientation. Employers complained of poorly qualified referrals and turned to other intermediaries in the labor market. Applicants with marketable skills went elsewhere for placement assistance.

One reason optimizing SESA's in favorable environments enjoyed high productivity was that they had maintained good relations with employers in spite of HRD. They had minimized their own commitment to HRD and had countered its unpopularity with employers by maintaining employer services and by other tactics. ES credibility with the business community had been maintained. In contrast, in SESA's that had made high commitments to the HRD approach, employer relations had deteriorated.

The optimizing SESA's in favorable environments also differed from the others in that their ties to employers were heavily based on informal relations. Cultural and demographic differences largely explained this. States with these optimizing agencies had many rural communities and few large cities. The majority of ES offices were in small, stable communities where officials could interact with employers on an informal, "friends and neighbors" basis.

Typically, ES and business personnel attended the same meetings of community groups, Chambers of Commerce, and personnel management associations. Many belonged to the same civic and veterans organizations. Many had even attended the same schools and churches. In such a setting, the ES official was not a bureaucrat representing the policies of a distant government but a respected member of the community. Trusting relationships between the ES and employers were relatively easy, and clear benefits to ES productivity resulted. The same was often true in the more rural areas of other states.

As a rule, however, ES-employer relations in states with less favorable environments were much more distant. A greater proportion of ES staff were locked into large offices in metro settings where contacts with employers were less frequent and personal. In these states, improvements in relations hinged on developing better formal mechanisms for increasing employer use of the ES and in obtaining their views on local ES operations.

In most states we visited, formal linkages with employers had to be rejuvenated. They had been de-emphasized during HRD and in many cases had been given low priority by local and state managers. However, small offices in optimizing SESA's in favorable environments had maintained effective formal procedures, in part because of the routines built upon the strong network of informal contact. In these offices, every professional, sometimes even clerical workers, had responsibility for contacting employers and obtaining job orders.

In contrast, other SESA's had fallen into the practice of treating employer relations as an adjunct to the placement function. Such an approach seemed to have hindered renewing bonds of employers. Industrial service units in SESA central offices were available to help private businesses with productivity and personnel problems. But in most states we visited, these units had atrophied under budgetary neglect during the 1960's and were now given little attention.

The mainstay of local employer relations efforts had been employer service representatives (ESR's) stationed in district or local ES offices. The ESR's were meant to be salesmen for ES services in the business community. These positions, too, had been downgraded in importance during the HRD period. They had recently been given higher priority in some offices because of the perceived need to improve employer relations. However, we found that managers in most offices visited were likely to assign "dead wood" personnel to these positions. They kept the most productive workers in mainstream placement activities because of the current Federal emphasis on placement productivity. More seriously, perhaps, the ESR approach meant that responsibility for employer relations was confined to just a few staff members in a local office. Occasionally, the office manager might also make promotional visits to employers, but most of the staff were insulated from regular contact with employers and their attitudes.

In one SESA we visited, this ESR effort had been supplemented by a network of community advisory councils (CAC's) that had been initiated during the HRD period. However, these CAC's were not primarily concerned with employer needs. Each CAC consisted of representatives from public agencies and community organizations as well as employers. The CAC's had not provided a forum for employers to express their needs. Rather, the other representatives had used the councils to press demands for jobs on the employers. Social activists sitting on one ghetto office's CAC had alienated employers to the point of driving them off the council. During the current recession, these employers had drastically decreased their hiring of ES applicants regardless of racial or ethnic background. They were, in fact, laying off large numbers of minority workers on a "last hired, first fired" basis, a practice which in turn estranged them from others on the CAC.

The Employer Services Improvement Program (ESIP) seemed a more promising approach for improving relations with employers. Under ESIP, employer advisory committees (EAC's)* work with task forces of ES local office personnel to improve services to local employers and increase employer use of the ES. Our observations of ESIP in areas where it had been implemented generally agreed with those of the Office of Manpower Program Evaluation's report on the program.**

The potential of ESIP was shown in one SESA we visited which had participated for a number of years in the pilot program that preceded ESIP. Local staff in large metro areas of this state thought that employer involvement in their operations had caused some improvement in productivity. In two major cities, ESIP appeared to have resulted in a small but noticeable increase in the number of employers using the ES. This increase was attributed to the extraordinary personal efforts of the EAC chairmen. Data collected on the impact of ESIP have substantiated these perceptions. Firms with representatives on EAC's in the state made increasing use of the ES, which resulted in more job orders to the ES and more referrals and placements through it. A higher proportion of job orders were filled and the ratio of referrals to placements was lower than before the program.* In other states we visited where ESIP had been undertaken more recently, data on its impact were not yet available.

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*Also referred to as "employer ad hoc committees" in ESIP literature.

**See "Evaluation Study of the Employer Services Improvement Program," Manpower Administration, Office of Manpower Program Evaluation, DSS Report No. 37, January 1975.

However, in some ESIP projects, managers, staff and participating employers reported implementation problems. Many EAC's met infrequently. Only a few members took an active interest in studying ES problems and making recommendations for change. Their interaction with the ES staff task force was often minimal. Frequently, the ES "change agent" was the only go-between from the EAC to the ES staff. After making their initial recommendations for changes, EAC's often fell into limbo and met even less frequently thereafter. Their subsequent purpose and role was unclear. ES staff who recognized the promise of ESIP felt that ways would have to be found to maintain EAC involvement on a long-term basis.

On the other hand, sustained employer involvement could have dangers of its own. At present, ESIP is meant to be a means of creating a business constituency for the program which will give it advice and, possibly, lobby for it on the Federal level or protect it from bureaucratic or political encroachments at the local or state level. However, similar groups created for other government programs have sometimes sought to use such structures for purposes different from those originally intended. Once group institutions like EAC's are set up, they can attain a life of their own.** We had an indication of how employers might try to use the EAC when the chairman of one Midwestern EAC told us that this group planned to use the ESIP structure to lobby the governor and legislature for changes in unemployment compensation policy.

Another problem was that local or central office ES officials sometimes intervened in the ESIP process to influence recommendations or minimize changes. In one extreme case, a district administrator had effectively sabotaged ESIP in a metro area by asserting control over all its activities. Meetings could not be called without his approval. He approved the agenda and edited all ESIP documents and reports. He discouraged staff contact with the EAC and handpicked the members of the staff task force, choosing only managers and supervisors (contrary to ESIP recommendations). He named one of his assistants as "change agent." Reportedly, this individual thought his role was "to go back to the district administrator and find out what he wanted changed on meeting agenda, reports, etc." Such episodes emphasize that the ESIP process is vitally dependent for its success on an open, participatory style of management.

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*Ibid., p. 66.

**For a discussion of goal displacement and cooptation by constituent advisory groups, see Philip Selznick, TVA and the Grass Roots (Berkeley, University of California Press, 1959).

At the other extreme, managers in some localities allowed ESIP efforts to overreach themselves. In one small city, the EAC and staff task force began their activities with high hopes, only to find that their recommendations exceeded budgetary and discretionary limits set by the SESA. When suggestions were not implemented, local staff became demoralized and employers lost interest in the process. The experience suggests that managers must allow an open process but moderate expectations by making clear that some limits to change are beyond their control.

The differing needs of SESA's and the problems encountered by ESIP to date suggest that the program might preferably be implemented in areas with serious employer relation problems rather than universally. Optimizing SESA's in favorable environments have little need for formal liaison with employers, since informal relations are so close. These agencies often implemented ESIP easily and routinely, but they questioned the need for it since employer relations were already so good.

ESIP has the most to contribute in unfavorable, metro settings where relations with employers are much more dependent on formal mechanisms. However, the problem of sustaining employers' interest may be more serious in large metro areas because of the competing demands for their time and their perception that the benefits from further participation will be limited. There might also be more managerial resistance to ESIP recommendations because of the relatively large size and entrenched structures of many of these offices.

E. ES LINKAGES TO OTHER LOCAL AGENCIES

In this section, we consider relationships between local ES operations and other human service and economic development agencies, including community-based organizations and private employment agencies. In Chapter III, we found that these linkages at the state level were good indicators of ES organizational characteristics, the agency's definition of its role, and the general governmental culture in the state. The connections tended to follow a similar pattern across all agencies. The same is true at the local level.

From one perspective, the relationship among different service agencies should naturally be one of non-cooperation and contention. The organizations simply have different goals and priorities, and each must expect that it will receive only limited benefits from cooperating with others. Also, many local agencies are funded in whole or part by Federal categorical programs whose funding and other incentives encourage attention to a specific target group, not cooperation with agencies serving other groups. In the ES, funding incentives presently drive the organization in the direction of concentrating on placement of the job-ready.

We found that cooperation between the ES and other agencies was less evident at the local than the state level. The reason may have been that disagreements among programs on goals and methods are more obvious at the delivery level. Often, differences between local ES offices and other agencies came down to the fact that the ES operation is less service- and applicant-oriented than some other programs related to manpower. We have already seen that such differences complicated ES relations with CETA. The same was true of relations with such programs as WIN, vocational education, and vocational rehabilitation.

ES personnel are typically less interested in improving the capacities of applicants than in matching their work experience or existing skills with the available jobs. This approach to the employment problem is highly sensitive to labor market conditions and the skills which job seekers already possess to compete in this market. The more service-oriented programs, on the other hand, are less interested in immediate placements in available jobs than in longer-term enrichment of the applicant, so that he or she will eventually be able to compete in the market.

Accordingly, ES personnel often viewed other local programs as "social massagers" or "hand-holders" whose intense concentration on the remedial treatment of client weaknesses was unlikely to win people jobs in a competitive labor market. They sometimes accused local vocational education or vocational rehabilitation agencies of initiating training programs for clients without realistically assessing demand for the skills or without setting standards high enough so trainees would be competitive in the market. The other programs, for their part, often accused the ES to be interested only in "quick and easy" placements, to the neglect of the counseling and other services necessary to move the uneducated or the handicapped into paid employment. These differing service philosophies seemed more often responsible for frictions at the local level than any differences of a more material or practical nature.

On the other hand, an enlightened perspective might view the programs and their goals as complementary rather than conflicting. The programs often served the same clients in different ways. If they did so cooperatively, all could serve the client more effectively and each agency might show better performance.

Governmental culture, as described in the previous chapter, was one factor which could determine whether the local agencies conflicted or cooperated. If there was a tradition of mutual trust and respect, local ES desires to collaborate with other programs were not deterred by fears that the other agency was out only for its own ends.

Another factor promoting cooperation is probably a favorable economic environment. The two optimizing SESA's we visited in favorable environments both enjoyed close ties with other local agencies. In one of these, a major reason seemed to be that state programs had the common goal, not only of serving clients, but of helping develop the state's economy (see page 65). The mandate to cooperate emanated from the state level but was effective at the local level too. Clearly, the economically expansionist atmosphere in this state created the feeling among the agencies that there was enough work and reward for all, diminishing the incentives programs felt elsewhere to compete over shares of the manpower mission.

However, poor and contentious relationships among local agencies were more common than not in the states we visited, in both favorable and unfavorable environments. Relations were especially bad in industrialized states with stagnant economies. In these settings, at both state and local levels, each agency conceived of its own mission as special and separate, and all the agencies competed for functions, resources and influence with little or no sense of common goal. Each local program zealously guarded its own bureacratic turf and, if possible, encroached on that of other service providers. Cooperation and coordination were limited. This was true even in the non-metro areas of these states, since contention among the parent state agencies set the pattern for local relationships.

ES relationships with particular agencies generally followed a similar pattern across the states we visited. ES and welfare operations were generally distant from each other, in spite of their common responsibility for WIN. Their contact was often limited to the transmittal of paperwork and recrimination for operational errors. Local welfare officials thought that ES people were more interested in getting paper out than serving or placing difficult applicants. ES staff saw welfare workers as primarily concerned with the provision of social services and not interested in the eventual employment of welfare recipients.

Relationships improved significantly where ES/WIN staff and welfare separate administrative units (SAU's) were collocated. In these offices, initial hostility between the units soon dissolved into camaraderie and integration of staff. It became impossible for an outsider to distinguish ES from welfare personnel. In some instances, staff from the two agencies were cross-trained in each other's tasks and shared responsibilities. Collocation improved relations by bringing staff physically close together and permitting far easier communication. The chance of misunderstanding or paperwork errors was cut, and the time and psychic costs of resolving them were reduced. While the effect of collocation on ES/WIN performance is unknown, it was clear that the problems associated with contention and non-cooperation had significantly decreased.

Local ES contacts with vocational education were often limited to occasional CETA MPC meetings and the provision of labor market information by the ES. On occasion, ES officials sat on vocational education curriculum committees and advisory councils. In the optimizing state, mentioned above, where economic development was stressed, local ES ties with vocational education were very close. This was because the two agencies worked together on referral, training, and placement to attract and staff new industries in the state. In other states, vocational education agencies tended to place their own trainees and to minimize use of the ES. They justified this on grounds that their MDTA experience with the ES had been poor, local ES offices had few good job openings to offer their clients, and their own trainers had better rapport with local employers.

Community colleges, too, had often developed their own placement capability. They gave reasons similar to those of vocational education. ES contacts with local school systems had deteriorated in most areas visited. The ES's program of cooperation with high schools had evidently been a casualty of the de-emphasis on counseling in SESA's.

Relationships between ES offices and vocational rehabilitation programs were generally cordial but limited. ES personnel provided LMI to some rehabilitation counselors to help them identify future labor demand and occupational skill requirements. Rehabilitation counselors in many areas visited ES offices regularly to interview referrals for rehabilitation services. A few searched ES applicant files for possible clients. In a few areas, ES counselors, WIN case workers and veterans employment representatives (VER's) had some joint clients with rehabilitation counselors. In one state, ES and rehabilitation units had discovered that they could benefit from a closer relationship when they were forced to share common office quarters.

In most areas visited, local ES relations with community-based organizations (CBO's) were very hostile. The CBO's saw themselves as filling the manpower service void left by the ES in minority and disadvantaged communities. They claimed that the ES was incapable of providing services to difficult-to-place applicants because of its bureaucratic, impersonal approach. The local ES staff, for their part, conceded only grudgingly that CBO's played a key manpower role in many metro areas. They viewed most CBO's as "trouble-makers" who were shielded from a need to produce by their political influence in the community.

In a very few cases, however, relations between the local ES and CBO's were friendly. In one Northeastern city, a white local office manager had been involved for years in the activities of CBO's and had sat on the boards of several. Consequently, his credibility was high with CBO's, the local CETA administration and the minority community. In a Western state, a ghetto ES office had built a close alliance with neighborhood CBO's. The office shared its job orders with CBO job developers and placement interviewers and was indifferent about whose people placed applicants, as long as jobs were found. However, the office had had to de-emphasize the organizational importance of placement performance in order to give priority to serving the difficult-to-place and cooperating with CBO's.

There was open hostility in all areas visited between local ES offices and private employment agencies (PEA's). In big cities PEA's were well established and tended to get better-quality job orders than the ES. ES staff complained that PEA's could and did service orders which discriminated against minorities or other applicant groups which gave them a competitive edge over the ES with employers. On the other hand, in small cities and towns, the ES was often the principal labor exchange, and PEA's had difficulty obtaining a share of the market. There were instances where local ES offices were so dominant that they drove PEA's out of business.

V. REGIONAL OFFICE-SESA RELATIONSHIPS

SUMMARY

Regional Office-SESA relationships were molded by the following factors having to do with an Office's capability in, or commitment to, ES affairs:

- *SESA perceptions of Regional capability.* Regional Offices' credibility was usually low because of the limited ES expertise of Federal Representatives and the structuring of OPTS units along generalist lines.
- *Priority given to the ES.* In most Regional Offices the ES received lower priority than other ETA programs, notably CETA.
- *Limited lateral communication.* Regional Offices rarely helped SESA's learn from each other by promoting exchanges of information and expertise.

Relationships were also shaped by factors affecting the authority or influence of Regional Offices over SESA's:

- *Formal authority.* Regional influence suffered from a lack of basic funding authority over states, although some Offices used technical assistance, discretionary funds or the approval of local office locations to influence SESA's.
- *Informal influence.* Some Regional Offices influenced SESA's by intervening in state political processes, although success usually depended on the political situation in the state.
- *Circumvention of Regional Offices.* SESA's often sought guidance or political support directly from Washington due to the Offices' limited expertise or authority.

Regional Office-SESA relationships fell into four typical patterns:

- *Regulative.* Regional posture was to rigidly enforce Federal policy on SESA's.
- *Collaborative.* The Regional Office identified with SESA's and advocated their needs to Washington.
- *Passive.* The Regional Office attempted little intervention in SESA affairs.

- *Authoritative.* *SESA's credited the Regional Office with considerable ES expertise and tended to take its technical advice seriously--unlike the other three patterns.*

The passive and authoritative patterns were prevalent in Regions where most SESA's were optimizers or in favorable environments. The regulative and collaborative patterns prevailed in Regions where SESA's were sub-optimizers or in unfavorable settings.

In previous chapters we focused on the state and local levels of the USES system. SESA's, however, are not independent organizations but parts of a Federal-state employment service system. By statute, Federal policy makers and administrators have certain responsibilities for and authority over the SESA's.* They provide national policy guidelines, program emphasis and practices, operational and administrative procedures, specific directives and accountability systems. They also determine the basis for funding these SESA's and their comparative allocation of resources. This chapter and the next deal with the Federal parts of the system--the Regional Offices of ETA and the National Office.

This chapter focuses on the characteristics of the Regional Offices and on their relationship with SESA's. It begins with a general description of Regional Offices and the factors which seem most central in molding SESA Regional Office relationships. The uses and limitations of Regional Office authority and influence are then examined. Finally, four general models of relationships between Regional Offices and SESA's are delineated and explained.

During World War II, large Regional Offices were established and given line authority over the temporarily federalized SESA's. In the post-war period, after SESA's were returned to state control, Regional Offices were retained, although Federal responsibility was largely centralized in Washington. During the Nixon Administration's efforts to decentralize Federal programs, renewed emphasis was placed on the Regional Offices, particularly in the areas of monitoring, guiding and providing technical assistance to state agencies. There are currently ten Regional Offices with these responsibilities.

The six we visited were similar in organizational structure, had the same formal functions, and operated under the same National policies and civil service constraints.* However, variations in organizational and leadership styles were noticeable. Regional Offices differed in the priority they placed on programs, tasks, and staff assignments. We also found that the capability of Regional Offices in ES matters, as perceived by SESA's, varied significantly.**

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*While SESA's are by law part of state government and their administrators responsible to governors, Congress endowed Federal administrators with considerable policy and funding authority over these state agencies: "It shall be the province and duty of the bureau [USES] to provide and develop a national system of employment offices. . . . The bureau shall also assist in coordinating the public employment offices throughout the country and in increasing their usefulness by developing and prescribing minimum standards of efficiency, assisting them in meeting problems peculiar to their localities, promoting uniformity in their administrative and statistical procedures . . ." (Wagner-Peyser Act, 29 U.S.C. Section 49B, 1970 ed.)

Furthermore, the characteristics of SESA's, broadly speaking, varied from one Region to another. For example, all the SESA's in one Region operated in favorable economic environments, with most optimizing their performance. In another Region most ES's were sub-optimal performers trying to cope with adverse economic conditions.

The above differences appeared to mold the relationships that developed between Regional Offices and SESA's. The next two sections will discuss characteristics of the Regional Offices which seemed especially important for their ties to SESA's. The first section covers factors influencing an Office's ability to deal with ES matters, specifically:

- The Office's capability, as perceived by SESA's.
- The relative priority given to ES concerns in the Office.
- The Region's involvement in promoting lateral communication and learning among SESA's.

The following section discusses factors affecting the authority of Regional Offices in the eyes of SESA's, specifically:

- The formal authority of the Regional Offices.
- The informal authority of a Region with particular SESA's.
- The tendency of SESA's to circumvent the Regions by seeking guidance or political support directly from Washington.

Succeeding sections summarize the types of Regional Office-SESA relationship we encountered and discuss the influence of economic environment on the type of relationship prevalent in a given Region.

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*In addition to the five Regional Offices where extensive interviewing was conducted, some information was gathered on two other Regional Offices. One staff day was spent interviewing in one of these Regional Offices, while insights about the other were acquired from field work in one of its SESA's. However, the data for this chapter is drawn primarily from the five Regional Offices where extensive interviewing was done.

**By capability in Regional Office staff, we mean especially: (1) ES experience, (2) analytic ability and (3) technical expertise, for example in computer matching, industrial psychology or management methods.

A. REGIONAL OFFICE CAPABILITY IN ES AFFAIRS

SESA PERCEPTIONS OF REGIONAL OFFICE CAPABILITY

Federal Representatives were a key factor in shaping a SESA's perception of Regional Office competence. The Federal Representative usually had more contact with a SESA than any other Regional official. SESA staff at all operational levels would often project the level of expertise, cooperation and commitment of the Regional Office as a whole from their personal contacts with him. If he took a helpful posture toward SESA staff, respected their chain of command and communication channels and made useful suggestions during field visits, the SESA usually saw the Regional Office's role as supportive, facilitative and cooperative. The fact that Federal Representatives rarely had SESA experience and were frequently changed adversely influenced SESA perceptions of many Regional Offices.

The impression left by Federal Representatives could be modified by more senior Regional Office officials, especially the Assistant Regional Administrator for the Employment and Training Administration. A strong Assistant Administrator who was interested in the Employment Service could set a positive tone for the Regional Office's relationship with SESA's.

The technical assistance capabilities of a Regional Office also had an impact on its credibility with SESA's. Program expertise commanded SESA respect. Technical assistance usually was provided through the Regional Office's program and technical support unit (OPTS). However, many SESA's were convinced that their own technical staff were superior to the OPTS. Furthermore, some Federal Representatives were skeptical of OPTS capabilities or chose, for personal or bureaucratic reasons, not to refer problems to them. Nevertheless, a Regional Office which admitted its weakness in technical assistance but played a coordinative, constructive role could also be respected by SESA's.*

In five of these six Regions visited, SESA staff saw the Regional Office as having considerably less expertise than their own agency in most ES program and technical areas. Most Regional Office staff interviewed agreed with these state perceptions. However, one Regional Office staff was commonly viewed as knowledgeable and competent on ES matters. Few state officials thought their own agencies could match or surpass the program expertise of this office.

Two factors explained differences in Regional Office competence: (1) the past work experience of Regional Office staff and (2) changes in the mission and structure of Regional Office units. The Regional Office that received high marks from its SESA's had staff with ES responsibilities who had previously worked in SESA's. Most had begun in local ES offices as service deliverers and had progressed through supervisory promotions to SESA central offices. The Regional Office had then recruited them from the SESA's. Their grass roots knowledge of ES operations and problems gave them considerable credibility with SESA's and an ability to make realistic assessments and suggestions for improvement.

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*Beyond OPTS, one Regional Office we visited had begun to develop a capability for technical assistance on managerial issues within the framework of a Manpower Training Institute (MTI). Chapter VII will consider further the potential of MTI's for stimulating organizational and operational improvement.

This pattern was uncommon in other Regional Offices. As previously stated, many Regional Office staff with ES responsibilities had only MDTA categorical program or OEO (Office of Economic Opportunity) experience. In one Region only a few staff had any ES experience. An antagonistic relationship existed between SESA's and this Regional Office. SESA perceptions of Regional Office competence were low, but the Federal Representatives and other Regional staff were confident nonetheless that they were capable of advising and "directing" SESA's. In fact, this Regional Office took a more regulative and directive posture toward SESA's than any other we visited.

The second factor contributing to the decrease in ES program and technical expertise in Regional Offices was the "restructuring" of OPTS units. Originally, an OPTS consisted of staff with separate categorical program and functional responsibilities. For example, a staff member in an OPTS unit would have specific MDTA program responsibilities, such as Neighborhood Youth Corps or Operation Mainstream. Another staff person would primarily deal with an ES functional area, such as counseling or testing. Thus, a number of staff could be identified as working primarily with MDTA categorical programs, while another group focused mostly on the ES. In 1974 National Office policy was changed to require that "specialist units" within OPTS be eliminated and all OPTS personnel be transformed into "generalists" dealing with several programs at once. The passage of CETA accelerated this process. The change made it less likely that OPTS units would have personnel with advanced expertise in ES matters.

The one Regional Office that had high credibility with SESA's had resisted these National Office directives. This Region had also consciously kept its good staff with ES experience in the OPTS unit to retain their credibility with SESA's. However, this Region's effort to keep ES and CETA staff separate in the OPTS had recently been defeated by a National Office reorganization of OPTS into two units--program evaluation and technical assistance. According to a Regional Office administrator, this reorganization "decreed that ES and CETA staff be blended together."

Other Regional Offices, instead, had raided their OPTS's to divert the better people into new programs. Their OPTS's had turned into generalist units. The result was a watering down of the ES expertise which had existed in these Regional Offices and a further deterioration of their credibility with SESA's.

PRIORITY OF ES IN REGIONAL OFFICES

In five of the six Regional Offices visited, our interviews showed that the ES was assigned lower relative importance than other ETA programs.

In the remaining office, the ES received top priority, although for short periods of time programs like MDTA and CETA had had comparable importance. The implementation of CETA had required a considerable investment of leadership attention and staff resources in all Regional Offices. These demands necessitated a de-emphasis of the ES. However, Regional Offices were currently returning resources to the ES.

A number of factors explain the low priority given the ES in Regional Offices. New programs like CETA customarily receive greater attention from administrators. Executive and legislative interest is initially high, as are the demands for developing and implementing new service delivery and administrative procedures. These pressures were especially intense with CETA, which was meant to demonstrate the effectiveness and feasibility of a "special revenue sharing" approach to manpower.

CETA also attracted Regional Office resources because of its congruence with staff interests. Many of the Regional Office staff had come out of MDTA categorical and OEO programs. They consequently had an affinity for a service-intensive and applicant-oriented program like CETA. The challenges seemed diverse and interesting. By comparison SESA activities seemed impersonal, old-fashioned and prosaic. During their MDTA and OEO days many staff had viewed the ES as the reason why alternative agencies had been created to provide manpower services to the disadvantaged. The ES was the giant plodding along in a relatively routine and impersonal manner. For them it had little "sex appeal."

The ES was also a troublesome charge for at least two Regional Offices we visited. Most SESA's in these Regions had productivity problems and were struggling in stagnant economic environments. Faced with these problems Regional Office staff saw little opportunity for improvement. The ES simply had become "a no win game." In contrast, by applying their resources to CETA they could at least have some beneficial impact on the development of local delivery systems. Furthermore, many prime sponsors saw Regional Office staff as having something of value to offer them, while few SESA's seemed to respect or want their advice.

LATERAL COMMUNICATIONS WITHIN A REGION

Limited communication among SESA's within most Regions we visited resulted in costly duplication of effort. Agencies which developed successful procedures later found that they had "reinvented the wheel," while others repeated the mistakes of other SESA's in the same Region.

This was especially true in CETA matters. In one Region, a SESA had discovered that contracting with prime sponsors to provide placement services for a price was less advantageous than providing them free under Wagner-Peyser funding. The latter approach gave the SESA credit for placements under the RAF. However, another SESA in the same Region had not identified the comparative returns and continued to draw CETA funding for placements. This led to a decline in productivity in FY 1976 for this agency and a consequent decrease in its share of the RAF allocation for FY 1977.

Failures in communication among states were due to both SESA's and Regional Offices. SESA's often failed to inform Regional officials of their experiences, and Regional staff either did not inquire or did not pass information on to other agencies.

Regional Offices can take initiatives to ensure that SESA's learn about successful and unsuccessful operational or technical procedures from each other. One Regional Office had frequent meetings of Regional and SESA personnel--including not only administrators but also their top analysts. This made it easy for ES officials in different states to see their common problems and find out about short-cuts in critical areas such as computerization, ESIP and accountability systems.

B. REGIONAL OFFICE AUTHORITY AND INFLUENCE

FORMAL AUTHORITY

Decentralization has transferred little real authority to the Regional Offices. The power of the purse, the fundamental means for influencing SESA's, is clearly in the National Office. SESA's generally perceived Regional Offices as impotent, although they might be helpful on a limited range of issues. Without real technical assistance capabilities, most Regional Offices could only monitor and act as a conduit between SESA's and the National Office. As one state official observed, "The Regional Office has the authority to say no, but not the authority to say yes."

However, some Regional Offices did use effectively what limited authority they had over SESA's. The basis of this influence was technical assistance, discretionary and recaptured funds, or Regional Office approval of local office locations. This was especially true of the one Regional Office, mentioned earlier, whose technical expertise had given it high credibility with SESA's. Being the authority in the Region on ES matters, this Office's technical assistance clearly affected SESA operations, decision-making and performance.

Although the use of fiscal sanctions and incentives by the Regional Offices was uncommon, discretionary or recaptured funds had been used in several instances to focus SESA attention on particular compliance or program problems. One Regional Office had targeted discretionary funds on those states most affected by the Judge Richey requirements. The funds had been allocated to help defray the costs of compliance. Another Regional Office had used funds, not to enhance its own authority in the Region, but to advance the common interests of state agencies. The money went for coordinated, analytic efforts that were intended to promote joint problem-solving and secure increased funding from the National Office. These initiatives permitted Regional Office leadership to play a central role in the Region. Their coordinating position allowed them to use the expertise present in some SESA's for technical assistance to others, thus compensating for their own limitations as program experts.

The third approach used to influence SESA's involved Regional Office approval of new local office locations. In most Offices, this process was a formality. But in one Office we visited, the Assistant Director used the approval process to impress upon SESA's the command role of the Regional Office. The Regional presence prevented SESA's from succumbing to local or political pressures for offices and from opening offices in sub-optimal locations. The Regional Office chose to evaluate locations carefully, knowing that once offices were open it was next to impossible to close them.*

In another instance, a Regional Office impeded optimal office location. A poorly located metro office in this Region could not be closed because the Regional Office would not approve the sale of the property. The building, purchased with Reed Act funds, had decreased in value. The Regional Office refused to permit the sale at a price below the original purchase cost. Productivity consequently suffered.

One Regional Office which assumed greater authority with SESA's than others took an authoritative stance on CETA-ES relations. This office had never followed a "put-the-money-on-the-stump-and-run" policy toward CETA prime sponsors. It vigorously exercised approval and regulatory authority over prime sponsors. It had rejected the "special revenue sharing" definition of CETA and was requiring that prime sponsors eliminate all duplication of services in their FY 1977 plans. A deadline had been set for formal agreements between prime sponsors and SESA's that would give the ES a presumptive job development and placement role in all local CETA programs.

An Assistant Director in another Region was considering a similar posture toward SESA-CETA linkages. However, this Regional Office had given considerable discretion to prime sponsors during CETA's initial years. Therefore, reducing discretion now could only be done gradually, to avoid political repercussions.

INFORMAL INFLUENCE

Without some power base or political influence Regional Offices have little hope of influencing "troubled" SESA's. Even if Regional Offices could diagnose problems in SESA's, prescribe solutions and provide technical assistance, they would require confederates within state government to initiate change and improvement.

We found some instances where Regional Offices had used informal procedures to influence SESA's. However, success usually depended on a receptive political environment or other factors favorable to Regional Office influence. In ordinary times, political forces within a state tend to constrain the ability of Regional Offices to promote change. In general, the more politicized the state government and culture, the more difficult it seemed for Regional Offices to affect changes in SESA organizations. Influence often hinges on good timing--the ability of Regional Office leadership to seize opportunities presented by political events within a state.

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*See Chapters III and IV for discussions of state and local political influence on office openings and closings.

For example, one state's UI program had been managed incompetently to the point of public scandal. Coverage by the news media had been intense. State and local politicians confronted with long delays in UI payments to their constituents were screaming for heads. The Regional Office chose this moment to release an organization and management (O&M) report on the entire SESA progra[illegible] The Regional Office offered extra funds to pay for specific improvemen[illegible]ut made clear its assistance and cooperation were tied to the achievement of particular reforms within an identified time-frame. The report was well received because of the UI crisis and political pressures for improvement. The governor fired the SESA head and replaced him with an individual reputed to be one of the top managers in state government. By building on aroused public opinion to tap political support, the Regional Office helped bring about a change in leadership and direction for the SESA.

However, a similar O&M report done in another state in the same Region had no impact on the SESA. In this case, the Regional Office had no powerful allies within state government to enforce its recommendations. Neither was there public awareness of a problem nor a public outcry for change. This shows the importance of the state political environment and the current political situation for Regional Office influence.

On occasion, a Regional Office can enter directly into state politics to demand changes of a SESA without waiting for state level forces to take the lead. The one instance of these tactics we encountered suggested that success depends on the Regional Office's ability to present a strong case, use legal and fiscal leverage adroitly, and head off SESA efforts to enlist political support in Washington.

In this case, the ES in a super agency (see page 17) had experienced serious problems soon after the super agency's formation. Leadership competence had deteriorated. ES central office staff had lost line authority to local offices. Super agency administrators had given the ES mission low priority. As a consequence ES placement productivity had dropped sharply.

At the same time, the relationship between the SESA and the Regional Office had declined. Formerly, this SESA's productivity had been relatively high, and the Regional Office had given it a free rein. A close personal relationship had existed between the SESA director and the Regional Office's Assistant Administrator. The decline in ES performance had followed the departure of both these men. However, Regional Office desires to reassert stronger direction of the SESA were constrained by "New Federalism" precepts and preoccupation with the implementation of CETA. The rapid fall in ES performance eventually commanded Regional attention, and an O&M report spotlighted the organizational and leadership causes in the SESA.

Because of the political and bureaucratic situation at both Regional and state levels, the Regional Office could influence the SESA only by entering the state political process overtly. The Office eventually settled on the super agency's misuse of ES facilities and its questionable cost accounting practices as an issue around which political support could be rallied for reforms in the ES. The issue was a beachhead from which the Office could advance to deal with issues more central to the productivity problem. Initially, Regional suggestions were ignored by super agency administrators. In response, the Regional Office threatened to withhold funds if the agency persisted in its misuses of ES resources. Efforts by super agency officials to enlist Congressional support against the Regional Office were forestalled by the intervention of DOL officials in Washington.

At the time of our research, the agency appeared to be bowing to the realities of the situation. The Regional Office's strategy had resulted in new ES leadership, re-establishment of line authority to the ES bureau in the central office, and elimination of some intermediate supervisory levels between the central office and local ES offices.

CIRCUMVENTION OF REGIONAL OFFICES

The general lack of Regional Office expertise and decision authority on ES matters encouraged end-runs by many SESA's to the National Office. If SESA's did so without following the protocol of informing the National Office first, further deterioration of SESA-Regional Office ties often occurred.

When Regional staff were unable to explicate national policy in SESA's in meaningful terms, misunderstandings, hard feelings, and delayed implementation by SESA's were frequently the result. For example, we noted confusion in many SESA's over national policy on servicing affirmative action job orders and the registration of job seekers. Federal Representatives and officials were not clear on when, if ever, a local office could service a "discriminatory" job order. In consequence, different SESA's would pursue different policies even within the same Region. Confusion like this motivated agencies to seek clarifications in Washington, leading to further decline in the credibility of Regional officials.*

The impact of state political contacts in Washington is covered in greater detail in the next chapter.

C. TYPES OF REGIONAL OFFICE-SESA RELATIONSHIPS

Four different patterns of Regional Office-SESA relationships have emerged from our analysis of interviews with Regional Office staff and SESA administrators. We have termed them "regulative," "collaborative," "passive" and "authoritative." By "regulative" we mean that the Regional Office acts primarily as a conduit of National Office directives and as a "regulator," performing monitoring and auditing functions essentially "by the book." We use "collaborative" to describe a Regional Office that identifies with SESA's in the Region, serving as their ambassador or "advocate" to the ETA and the USES National Office. The term "passive" connotes a Regional Office that is generally sympathetic and friendly to its SESA's and does not interfere much with them. By "authoritative" we mean that the Regional Office is seen by SESA's as an "authoritative" source of ES expertise, an attribute not implied by the other three types.

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*In this case, SESA officials reported that clarification was hard to obtain even in Washington. National Office officials found it difficult to interpret conflicting court decisions on the affirmative action question. This problem is discussed further in Chapter VII.

We found that Regional Office relationships to most SESA's in a Region fell into one or another of these patterns. However, some Regional Offices departed from their general approach when dealing with particular SESA's. These were usually the agencies whose productivity differed from the norm in the Region. Thus, a Regional Office might adapt a "collaborative" approach with most SESA's but a more "regulative" one with an unproductive and uncooperative agency. On the other hand, a Regional Office which was "regulative" with most SESA's might be more "passive" toward a high-performing one.

REGULATIVE

One Regional Office adhered to a "regulative" pattern in its relations with a SESA in our sample. Personal relations between some key SESA officials and the Regional Office were abrasive. Some Regional staff saw themselves as having ES experience and analytic ability. However, SESA staff perceived them as possessing neither experience, analytic ability nor technical expertise. SESA staff believed the Regional Office's capability in ES matters was so low that its technical assistance was not worth having. In their view, the Regional Office was only a source of criticism and impractical or confusing orders from the National Office. "They just criticize. They don't do anything to help us," we were repeatedly told.

For its part, the Regional Office saw this SESA as one of the lower performers in the Region, one that had shown itself unable to solve admittedly difficult operational problems. Further, the Regional staff were too limited in number and skills to service the SESA effectively. These shortcomings had contributed to the personal animosity that had developed between Regional and SESA officials. Under these circumstances the Regional Office adopted a rigidly bureaucratic role--channeling National Office messages to the SESA without comment or modification and conducting ritualistic, rigidly structured monitoring activities. The mutual charges of incompetence coupled with the real limitations of both organizations had resulted in an unpleasant regulative relationship which gave the Regional Office little real influence over the SESA.

COLLABORATIVE

We visited one Regional Office that followed this style. The Assistant Director was a relatively recent appointee. Prior to his appointment, the position had either been vacant or filled temporarily. SESA administrators in the Region had taken matters into their own hands, creating a formal group among themselves (the only one we encountered) to represent their collective concerns to Federal officials. Partly because of this, the new administrator had deliberately chosen a more collaborative style of operation, and personal relationships with SESA officials were cordial and trusting. Furthermore, while several Regional Office staff, including the Assistant Administrator's deputy, had had extensive state ES experience, Regional Office interviewees made it clear that several states in the Region had far greater ES competence than the Regional Office.

Decisions about how to allocate discretionary funds were being made jointly with SESA administrators, and staff from several SESA's were carrying on joint projects supported by these funds. Importantly, this administrator had reportedly adopted the posture of "advocate" for the SESA's of the Region, siding with them in meetings with National Office officials.

The Regional Office's capability was similar to that of the "regulative" Regional Office. However, the presence of a cooperative Regional Office-SESA relationship meant that the Regional Office received more attention from SESA's in areas where it was competent. Poor performing SESA's in the Region had been reviewed, and in one case the Regional Office had applied financial and political pressure against a particularly unproductive, resistant SESA. But generally Regional staff saw their role as supportive rather than regulatory and enforcement-oriented. The current collaborative relationship was primarily due to the unique history of Regional Office-SESA relations and the Assistant Administrator's personal style.

PASSIVE

Two Regional Offices appeared to adopt a "passive" stance toward SESA's, a posture somewhat between the first two. Like the "regulative" and "collaborative" Regional Offices, the "passive" ones gave more attention to CETA than the ES, in accordance with ETA-National Office priorities.

Partly by choice, one of the "passive" Regional Offices engaged in almost no technical assistance to the SESA we visited. This appeared due to the state's strong historical tradition of "going it alone," the Regional Office's sense of its own limited competence, and its perception that its impact was likely to be limited. However, personal relationships were cordial, with the Regional staff showing considerable empathy for the problems and demands facing this SESA. This was consistent with the "franchise operator" posture taken by the SESA. Although the Regional Office staff passed on National Office materials and had begun an O&M review, they essentially left this SESA alone. They rarely engaged in "advocacy" behavior, but they did accept the fact that influential officials of this SESA would on occasion choose to do their business directly with friends in ETA and the National Office rather than through Regional Office channels.

Critical to this relationship was a history of collegiality between Regional Office and SESA staff. Regional staff had limited analytic ability and technical expertise, but a number had SESA experience and sympathy with the state level perspective. Regional leaders allowed staff attitudes to shape the relationship because they themselves devoted little attention or resources to ES matters.

The other Regional Office that took a passive stance towards most of its SESA's exhibited similar characteristics, but with some differences. The Regional Office had adapted a "regulative" posture in dealing with the super agency whose ES program had escalating problems. The Office also lacked a long history of cordial relationships with SESA's. Both Regional and SESA leadership had frequently changed, and the nature of relationships often depended on the personalities of the key players. There had been periods of open hostility between this Regional Office and one large SESA in the Region, although the current relationship was cordial. This SESA also had a reputation for highly innovative and analytical staff. It therefore had little need for technical assistance from the Regional Office and did not seek it. In turn, very few Regional staff had ES experience or believed themselves competent enough to assist such a "high flyer."

AUTHORITATIVE

A fifth Regional Office appeared to have an "authoritative" relationship with SESA's. It was accepted as an expert and credible source of guidance on ES matters. This seemed due to the presence of superior ES competence in the Regional Office staff and the personal interest of the Regional Office leadership in the ES.

The long-time Assistant Administrator in this Regional Office had an ES background and continued to involve himself in ES matters. Most Regional staff with ES responsibilities likewise had past ES experience in SESA's. The Assistant Administrator's contacts with SESA officials at a variety of levels were frequent and cordial. Nevertheless, on policy and operational issues, a strict adherence to the "chain of command" approach was followed. For example, Regional Office staff coordinated monitoring and office reviews with SESA officials and conducted field visits jointly with them. However, they made recommendations only to their own Regional Office supervisors, who in turn communicated them to SESA administrators. By following protocol strictly, they helped maintain cordial relations with the SESA's.

One of the SESA's visited in this Region, a high performer with considerable internal expertise and analytic ability, identified areas where the Regional Office had expertise and did provide them with assistance. The other SESA visited in the Region was a sub-optimal performer with serious organizational problems. Its staff also viewed this Regional Office as an authority in many ES areas and as a constructive force in the Region. However, the Region may have misunderstood the problems of this SESA, in part, by attributing them to the appointed political leadership. The career leadership appeared the most important weakness, but Regional staff, who were career officials themselves, apparently found this difficult to perceive. Nevertheless, Regional competence was generally high, and SESA respect for it, plus a history of cooperative interaction, led to the "authoritative" pattern.

D. PRODUCTIVITY AND ENVIRONMENTAL INFLUENCES ON RELATIONSHIPS

The posture taken by a Regional Office toward its SESA's seems strongly influenced by the dominant productivity and environmental pattern found in the Region. The following table cross-tabulates the type of role taken by each Regional Office visited with the economic environment and productivity of all SESA's in its Region. SESA's were categorized by environment and productivity using the statistical rules discussed in Chapter I.*

TABLE II. REGIONAL POSTURE AND SESA's PRODUCTIVITY AND ENVIRONMENT

Region & Type of Relationship	Favorable Environment		Unfavorable Environment	
	SESA's with Optimizing Productivity (#)	SESA's with Sub-optimal Productivity (#)	SESA's with Optimizing Productivity (#)	SESA's with Sub-optimal Productivity (#)
Authoritative	4	3	1	0
Passive	2	3	0	0
Passive (some regulative characteristics)	1	2	1	0
Regulative	1	2	1	2
Collaborative	0	2	0	4

In Regions where most SESA's had favorable economic environments, Regional Offices adapted an "authoritative" or "passive" role. Where most SESA's were sub-optimal performers, "regulative" or "collaborative" relationships tended to develop between state agencies and Regional Offices.

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*The basis for these categories is presented in more detail in Appendix I, page 204 (for optimizing and sub-optimal productivity) and page 206 (for favorable and unfavorable environment). Table IX in this Appendix (page 208) provides a complete listing of SESA's by Region, productivity and environment which was similarly derived from these decision rules.

The type of relationship between a Regional Office and SESA's was not a determinant of optimizing or sub-optimal productivity but rather a response to both state agency performance and economic environment. Faced with adverse economic conditions, unreceptive SESA's, and very limited capabilities to promote change, Regional staff quite naturally adopted a self-protecting, "regulative" posture. Similarly, a Regional Office with a high proportion of optimizing SESA's or states with favorable environments was under little pressure to promote change. It could safely take a "passive" posture toward SESA's, letting them continue their operations with little interference.

However, Regional Offices seeking to influence a SESA found some approaches more effective than others. For instance, experience suggests that the "regulative" role leads to animosity and entrenchment on both sides. To demand compliance and productivity improvement without showing SESA's in practical terms how to respond is unlikely to succeed. In the short run, the "passive" approach seems quite harmless in generally favorable environments. But introducing procedures with unknown risks that require relatively sophisticated technical knowledge, such as computerized job matching systems, might overtax this type of relationship. Technical assistance would be required as well as more active Regional Office involvement in the SESA during implementation.

The ideal approach appears to be an "authoritative" one, though in most Regions this is clearly unattainable in the immediate future. The program and technical expertise of Regional staff must be high, and building it takes time and money. One alternative might be to encourage "collaborative" relationships while stepping up efforts to increase the ES expertise and competence of Regional Office staff and thus their credibility with SESA's. This will be discussed more thoroughly in Chapter VII.

From the researchers' perspective, it seems clear that "decentralization" into Regions, at least as far as the ES is concerned, has been superficial. The power of the purse is clearly in Washington, not the Regional Offices. Regional Offices are obviously limited in their resources and qualifications for dealing with matters of ES policy or service delivery. They are thus left with little more than a conduit and monitoring function. It is not surprising that some have adopted either a "passive" or "regulatory" posture--and that they are viewed by SESA's either as neuters or adversaries. It is not surprising, too, that some SESA's largely ignore them and deal directly with ETA and National Office officials instead.

VI. THE NATIONAL OFFICE

SUMMARY

The ability of the USES National Office to guide state ES programs has been undercut by:

- *A program history that subordinated the ES to other programs with higher political visibility or priority--Unemployment Insurance, MDTA and CETA.*
- *The shift of national policy toward and then away from an HRD orientation, causing loss of USES expertise and credibility in the placement function.*
- *The loss of direct National Office contact with SESA's.*

There were competing conceptions of the National Office role. One view gave the Office primarily managerial functions, the other, the role of guiding SESA's through technical assistance.

The National Office possessed insufficient ES program expertise to carry out either role because of a decline in recruitment from SESA's and the limited ES field experience of present officials.

State compliance with National Office policy was discouraged by multiple sometimes conflicting directives that were inattentive to state and local priorities or ability to comply. These include enforcement responsibilities imposed by the Congress or the President as well as program messages originating in ETA.

National Office authority has been undercut by state political influence in Washington. SESA's have been able to sway ETA or Administration policy through such channels as ICESA and the Congress. They have affected ES budget levels, the composition of the incentive funding formula and decisions on discretionary funds.

This chapter describes how the USES National Office's organization, policy and political situation affect its ability to influence state agencies. Constraints on the National Office include: (1) a program history which has undermined its expertise and credibility, (2) the numerous extraneous responsibilities delegated to the employment service, and (3) the states' political power to nullify Federal direction. The internal characteristics of the National Office and its external political situation interact to limit its influence over the states even more than is inherent in a Federal-state program.

A. PROGRAM HISTORY AND NATIONAL OFFICE ADMINISTRATION

Some National Office problems stem from limited expertise and credibility. According to current and former USES officials, these limitations result in large measure from a history in which the USES was nearly always the foster child of other programs, unable to focus its attention and resources fully on its own central placement function.

The employment service has had a close connection with unemployment insurance since 1939 when the USES was taken out of the Labor Department and put under the Social Security Administration. The UI part of Social Security dominated the USES in two ways. First, that agency paid for USES administrative costs through employer contributions. Second, UI claimants had to register with the ES. Subordination to UI gave the USES a stable funding base but associated it in the public mind with unemployment. During the 1950's, the ES found a secure place for itself as one half of the Bureau of Employment Security in the Department of Labor. However, the program obtained its fiscal, administrative and political position as the junior partner of UI. Employers, who paid the bills, and politicians and administrators at all levels have always been more concerned with UI matters than the problems and services of the ES.

The passage of MDTA in 1962 subordinated the ES to a complex of training programs with a different mission. The job exchange function was deemphasized in favor of human resource development as a matter of national policy. The USES was diverted from placement activities and required to monitor large numbers of contracts and providers for a wide range of new services. The ES and the Bureau of Work Training Programs were merged in 1969, but the combination suffered from incompatibility.

Next, the passage and implementation of CETA in 1973 and 1974 withdrew the ES from line responsibility for training programs. It presented the opportunity for the employment service to return to the labor exchange mission and for a division of labor between training by CETA and placement by SESA's. Such a neat division has yet to be worked out politically and operationally.

The USES's organizational legacy from the MDTA period handicapped it severely for the performance of its own responsibilities. Prior to MDTA, the ES units in National and Regional Offices, like other Federal-state programs, drew much of their professional staff from state agencies. While some of these officials were UI-oriented because of the close tie to that program, they at least had the experience to translate Federal ES directives and technical assistance into terms relevant to implementation in the field.

MDTA, however, required the ES to hire large numbers of staff at all levels with little or no experience with the ES. These officials' principal concerns were the planning, structuring, and monitoring of state and local training contracts, not the ES's core functions. From this point, the supply of new blood from state agencies to the Federal level began to dry up. Today, the older professionals in the National Office find themselves increasingly out of touch with the grassroots.

CETA, in turn, broke the ES's direct connection with training programs and threw it back on earlier functions, particularly placement, in which it now had limited institutional experience at Federal managerial levels. National Office staff lacked field experience and were divorced from operations. Regional staff had more field expertise, but mainly in MDTA problems.

Federal policy makers have accepted these costs to ES administration because of "New Federalist" beliefs which attached less importance than formerly to close Federal supervision of Federal-state programs. The high priority, political visibility and funding given to CETA--in part at the expense of the ES--signalled a desire to decentralize and decategorize manpower programs.

Parallel bureaucratic developments have also tended to divorce National Office staff from direct contact with ES personnel in the field. In 1971 a reorganization assigned the Office of Field Operations (OFO) certain critical administrative functions for the entire Manpower Administration (later renamed the Employment and Training Administration). As a result, all messages from the USES National Office to Regional Offices and SESA's must pass through and be approved first by OFO. Staff in OFO have frequently exercised their power to veto, amend or delay USES messages. Only OFO can issue "work-generating" directives to the field. OFO staff play a major role in management review--monitoring performance data from the states, diagnosing management problems and proposing improvements. In the words of several ETA officials, "The USES, like other ETA programs, serves, in effect, as staff to OFO."

While the reorganization may have reduced and rationalized the flood of communications from Washington to the regions and the states, it also has made the connections between the USES National Office and the field more tenuous. These links are further weakened by the fact, noted in Chapter V, that the Regional Offices have little expertise in ES program matters. There is no cadre of ES specialists in the Regional Offices to pick up the ES-related messages that flow out through OFO and convey them with judgment and understanding to the SESA's.*

The impact of these disruptions can be gauged by comparing the ES organization today with that of unemployment insurance. UI did not undergo the same organizational upheavals in the Sixties. The bureau enjoyed autonomy, and there was far greater continuity of mission and staff. UI's links to the field are therefore still strong, despite the fact that it, too, must communicate through OFO. In every Regional Office, one can identify a core UI staff who are able to perform intermediary and technical assistance functions for their superiors in Washington. They have a proficiency based on experience with the states and a credibility with SESA's unmatched by the ES.

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*ETA has taken one small step toward alleviating this problem. In late 1976 the Regional Offices were asked to designate one individual who serves part-time as "ES coordinator" so that, as one USES official put it, "At least we have the name of someone there we can call."

B. FRAGMENTATION AND MANAGERIAL REFORM

Because of this history, many National Office staff now lack field experience and are divorced from the realities of local operations. In addition, for some years the National Office has been a collection of separate units, each with its own goals and mode of thought and none with a broad view of the program. An observer in OMB put it as follows:

> "Each office has its own pet project to turn the world around. The whole thing is balkanized and everybody thinks they have the Holy Grail. There is no overall problem identification strategy nor any overall idea of the ES role and purpose. One office pushes 'Job Service' with the view that just changing the image of the ES would reverse the downward trend in employer use of the ES. Another shop has pushed automation, computer matching, etc. as the cure-all. Another thinks the way to succeed is employer relations. . . . The technical staff plays games with the DOT code. . . . Others thought ESARS would turn it all around . . ."

ES leadership has responded with a policy of reorganizing and reunifying the National Office around the program's central placement function. Although bureaucrats are conventionally supposed to continually seek new functions for their organizations, National Office top management is now seeking to simplify the ES mission so that a coherent management system can be designed for it. The effort is impeded by the fact that Congress has imposed many extraneous mandates on the ES (see page 114) and has done little so far to clarify its goals.

The management system is supposed to assure accountability of the program to the National Office and, through it, to the Department, OMB and Congress. As of 1976, the period of our research, three basic tactics had evolved:

- Use of placement data obtained from the states through ESARS and CAS* to make budget allocations to SESA's on the basis of performance under the RAF.

- Use of management information systems to identify performance problems in state agencies and use of Regional Office staffs to work with SESA's on those problems.

- Provision of technical assistance to SESA's through direct contacts and Regional Office staffs.

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*Employment Service Automated Reporting System and Cost Accounting System.

The managerial emphasis is very different from the notion of National Office professionalism current in the 1950's. The idea is to secure overall control of performance and funding at the center through information and budgeting system, while delegating detailed program expertise and technical assistance to the Regional Offices. This contrasts with the earlier period, when the National Office role centered more on technical assistance, and extensive program knowledge was expected at all levels of Federal administration.

Our research uncovered a substantial division within the National Office--between what we have termed "managers" and "professionals"--over its proper role. The "managers" tended to be younger than the "professionals." They identified with the use of management devices and a clear division of labor between the National and Regional Offices. In their view the "managers" should be in Washington. Their role is to use information systems to identify performance problems and budget systems to motivate the states to improve. They need not have the detailed program expertise to help the states solve problems. Rather, the task of giving the states technical and practical assistance is passed to "professionals" in the Regional Offices, relatively closer to the states.

However, some of the "managers"--as well as their critics--recognize the limitations of this perspective. One problem is that officials in Washington need a systematic understanding of state level nuances even to set basic policy for the program. One official offered the following reflection on the need to recognize differences among states:

> "We will begin to get some feel (through the RAF and management information system) if there are differences between state organizations and about some of the uncontrollables, e.g. Northeast vs. the South, and things that can be improved by improving state performance. Then you can ask if the ES should be trying to do different things in different places. . . .
>
> ". . . We have begun to say that we did not have all the answers for any state. When we go to a specific state we need to say, 'that is state type I, with these kinds of potential and problems.' We need a model of state I."

But the National Office is now too remote from the separate state programs for this kind of awareness to come easily.

The other problem is that Regional Office staff often simply do not have the detailed program expertise they are supposed to have in the "managerial" model. A top USES official said to us:

> "Few [Regional Office staff] have ES responsibilities and they lack the technical respect of the state agency personnel. . . . Whatever the states want to do is going to happen. We lack sanctions and we cannot get substantively involved. Our best hope is jaw-boning."

The other, "professional" viewpoint was typically held by older National Office staff or those in technical assistance specialities. They argued that the main capacity for technical assistance to states should reside at the national level. National Office staff should work directly with SESA's in solving problems. The Regional Offices should play a smaller role than now, either in assistance or as conduits of directives from above. The following comment articulates this perspective:

> "There is no line authority in a Federal-state partnership. We rely on monitoring relationships with state agencies. . . . We were more effective when authority was centered here in the National Office. . . . We can build up expertise better here, e.g. four or five counseling specialists and the same for testing, organization and management. You can give better technical assistance and be more persuasive in providing technical assistance to the states. Regional Office management should stick to administrative monitoring. They are not comfortable with delivery of service questions.
>
> "The task is to say how to improve the state delivery systems, to get them to improve in terms of the why of improvement. This develops out of good Federal-state relationships, respect, understanding and then follow-through with technical assistance.
>
> "The Regional Offices have to follow through on the National Office directives. They are meaningless unless this happens. The managers of state SES organizations and local offices are responsible for the quality of service."

From this perspective, the main contribution of the National Office to ES operations is not management control but program expertise. This was linked to the belief that the Regional Offices could never duplicate the National Office in depth of staff in such technical areas as testing, counseling, and occupational analysis. However, at present the National Office is simply not professionally able to provide direct technical assistance to 52 agencies.

The upshot is that the National Office seems to be unable to play either of the roles proposed for it. The essential reason is that the history of the ES has left both Regional and National Office staff with limited expertise about the program. The National Office managers look to the Regional Offices to handle state level problems beyond their experience, while the Regional Offices assume that the National Office should be the repository of advanced knowledge of how to get things done in the ES. As a desk officer in the Office of Field Operations put it, "Each level is looking to the other for help and is frustrated that they are not getting the help they need." It is little wonder that SESA's rarely regard either Federal level as a credible source of help in solving their problems.

C. MULTIPLE DIRECTIVES FROM ABOVE

The previous section considered the National Office's problems in carrying out the ongoing tasks of management and technical assistance. In addition, the National Office seeks to implement specific directives sent from Washington. Many of these have to do with policy objectives that are ancillary to the main ES function of placement. Here too, the National Office seems less effective in working with states than it might be.

In one sense, the specific directives pose a more difficult administrative objective than holding state programs accountable for placement performance. Information systems and fiscal incentives are already in place to motivate placement. Monitoring specific orders often takes much more Federal staff time, and the enforcement sanctions available to Federal officials are fewer. States have the political resources to resist or influence control from above, including aspects of the funding formula and funding allocations (see page 118). Hence, no National Office staff we interviewed believed that state programs could be significantly modified simply by issuing directives from Washington. To be effective, Federal officials had to combine their limited power with expertise and persuasiveness.

But another reason for limited compliance is that Federal directives are so many and confusing. Some of the complexity derives from the multiple and changing goals the program has served in the past. But current problems are due, particularly, to the enforcement and other extraneous functions which have been added to the ES's central labor exchange mission.* The President, Congress and courts have often imposed these responsibilities on the ES without seriously inquiring whether it was the appropriate implementing agency. ES officials are under no illusions about how likely state and local ES personnel are to carry out these functions. One high official told us:

> "There are too many mandated things. We are trying to move housing inspection (for migrant workers) to OSHA for example. If I were a local office manager I would forget about all of these except those relevant to my needs."

The commands from above are so numerous and conflicting that it may be impossible for the program to achieve full compliance with all of them. The difference between the rules on the book and what the ES can really do can get the program into trouble. The same official said:

> "We hope to toss out the old ES manual, a thirteen volume monstrosity. . . . The manual has often been viewed as a promise of services--having the force of regulations. So we invent our own Catch 22 situation. The courts read the manual and expect us to do it. We would be smarter to have technical assistance guides and a thin set of regulations which state the real priorities in the system and then everybody knows what the priorities are. Now there is an 'inflation of commands'."

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*For a detailed list of these functions, see U.S. Department of Labor, Manpower Administration, Training and Employment Service Program Letter No. 2869, "Federal Legislation, Executive Orders, and Cooperative Arrangements Affecting the United States Employment Service, Manpower Administration and Affiliated State Agencies," April 29, 1974.

The extra responsibilities may or may not be rational in themselves, but their cost to mainstream ES functions is clear. The changing directives send mixed signals to the states and force them to divert resources from the central placement functions. The enforcement activities are not rewarded under the funding formula, and they endanger the program's constituency with employers. It is clear that the constant change and increase of extra responsibilities has undermined Federal credibility with SESA's as much as any element in the Federal-state relationship.

In addition to the enforcement mandates, there have been a number of less mandatory directives from the National Office bearing on local operations. We asked individuals at each level of the employment service system about their reaction to three selected messages and the effects of each. The results clearly indicated that the degree of compliance hinged overwhelmingly on state or local rather than Federal priorities. The three directives were the following:

1. The 1975 USES directive that ES staff not be diverted to UI purposes in the states.

Our field work suggested that the order, in fact, had little effect. Federal administrators reported that they had expected widespread evasion. National Office staff we interviewed claimed, not that compliance was complete, but that diversion of ES staff would have been worse without the directive. Their assumption was that an order from above might have some salutary effect, even if they could not tell what it was.

Most Regional Office staff interviewed said that to expect compliance was unrealistic given the magnitude of the unemployment crisis. Most Regional Offices simply passed the message down to the SESA's, in some instances making clear that they knew complete implementation would be difficult. The offices differed in how they wanted to deal with the expected noncompliance. One told SESA's to inform it immediately if diversion was necessary so it could help them minimize the problems. Another took the stance, "If you do it, we don't want to know about it."

In the SESA's, responses varied and were dictated by local conditions. Diversion occurred in some states at least in a few hard-hit offices. In others, it did not occur because unemployment levels never became high or because states had a big enough pool of UI intermittent staff. In all cases, managers primarily responded to local conditions rather than the Federal order. They had no trouble justifying this. Even in states which did not divert, the directive was viewed as "unrealistic" or "unreasonable." Managers said they did not want to divert ES staff, but their decision had to be dictated by local necessities. As one SESA administrator recalled:

> "We told them we would try to comply, but we couldn't take the position that if there were . . . long UC lines we wouldn't bring staff over. . . .
>
> "Even if a general in headquarters sends a command that makes no sense, the man in the field has to do what is necessary."

The diversion issue was clearly an area where National Office policy would have profited from a sharper sense of variations among the states. Our research revealed that there was a middle ground that could substantially achieve Federal objectives while allowing states the discretion to respond to local conditions. We found that optimizing SESA's had contingency plans to respond to a UI overload by employing trained intermittent UI workers or using regular ES staff on overtime. It was the sub-optimal agencies who more usually had no such plans and therefore could buttress UI only by substantial diversion. The presence or absence of planning determined whether diversion was really a serious problem. If National and Regional Offices' own staff capabilities were better, their policy could have centered on helping states forecast and cope with the UI overload in planned ways rather than on prohibiting diversion in principle.

2. The December 1973 General Administration Letter to all state agencies which set forth a model for ES staff job classification structures.

National Office staff presented this letter as a set of suggestions rather than a directive. The purpose was to broaden job categories so that good service deliverers could be promoted without moving them out of the service role in which they excelled and into less productive administrative jobs.

However, the letter showed little awareness that SESA's rarely have autonomous control over their own job structures. In every state in our sample, the power to set job classifications was vested in a personnel board, the legislature, or both. Most state administrators we talked to said they liked the ideas in the letter but had done little to implement them. They simply did not think they could get the required level of cooperation from the personnel board or legislature. One SESA head explained, "I'd rather not get into that with the legislature. They meet only once every two years for 120 days, and I always have other things that have a higher priority." Other administrators said they had so many day-to-day problems with their personnel agencies that approaching them about a general revision of classifications was impossible. The one sample state which had a classification structure similar to the recommended model had adopted it independently several years before the letter from the USES.

3. The August 1975 General Administration Letter which urged state agencies to delegate contracting authority for CETA to local office managers.

The purpose of the letter was to improve ES-CETA relationships by persuading SESA's to locate contracting powers at a level congruent with the local-based nature of most CETA activities. There was apparently little awareness of the constraints faced by SESA's in complying. Some did not comply because they were managed in a highly centralized fashion in all respects, including CETA contracts. These agencies were unlikely to respond without special persuasion or enforcement efforts by Regional Offices. In some states, contracting by local office managers was impractical because CETA prime sponsors were located in large metro areas with large numbers of local offices. The involvement of the offices could not be coordinated unless contracting authority was located at the district level or higher.

In this case, as in the two other, a policy recommended to all SESA's was implemented imperfectly because it was universal in nature. The evidence suggests that implementation is more likely if policies are attuned to differences among states and allow SESA's, in turn, to adapt the policy to different localities. The preparation of technical assistance guides could be a promising step in this direction (see page 115). However, the National and Regional Offices are presently very limited in the program expertise necessary to adjust guidance and directives to differences among states.

D. POLITICAL INFLUENCES ON THE FEDERAL LEVEL

Another factor limiting the authority of the National Office is the political influence of the states at the Federal level. This influence flows through different communication channels than are used for routine messages.

Much of the communication downward through the Federal-state employment service system takes the form of written directives and advisory memoranda such as those discussed above. There is also an upward flow of communications with two aspects. One is the regular flow of information, requests, comments, and appeals "through channels"--from SESA to Regional Office to National Office. The other is the use of informal, personal connections to influence policy at the Federal level.

Our interviews indicated that informal communications flow from SESA's to policy makers in Washington through a number of different channels:

Contact between SESA leaders and middle or upper-level officials of ETA, either

- directly;
- through the Interstate Conference of Employment Security Agencies (ICESA)*; or

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*ICESA serves as a lobby for the interests of the states in employment security matters. Historically, it has maintained intimate relations with the USES. In fact, until recently its Executive Secretary was paid out of DOL funds and had an office within the Department. Beyond its role as a lobby in both the Executive branch and the Congress, ICESA serves several other functions according to SESA and USES respondents: (1) a back-channel for communication between the National Office and SESA's; (2) an advisor to USES officials; (3) a forum for debate among SESA administrators on both UI and ES issues; (4) a source of problem-solving technical advice for SESA managers; and (5) a training ground for newly appointed SESA leaders.

Perceptions of ICESA's effectiveness as a lobby varied among SESA officials we interviewed. A minority felt its influence had declined since its formal relationship to DOL had been severed. However, most felt it was still effective on issues where there was broad consensus among SESA's. Several SESA administrators believed ICESA's separation from DOL had given it new credibility and importance as a lobbyist. As one said: "Once OMB sets the budget, DOL won't cross them. DOL can't go before the Congress and say that the budget decided on is not enough, but ICESA can. So the Congress must hear from ICESA when dollars or positions are cut."

- through high Federal officials (usually a state's Congressional delegation, but in rare instances the President, his staff or Cabinet members).

Contact between state agency leaders and high Federal officials, bypassing ETA, the most common channels being:

- direct contact with Congress;
- indirect contact with Congress via ICESA; and
- indirect contact with the White House or OMB, via ICESA.

According to our interviews the objectives of many communications flowing through the three channels that end in ETA are (1) to cause reconsideration of National Office policy, (2) to overturn decisions made at a lower level and (3) to get special treatment for a particular state or locality. Such feedback may correct errors and improve decision making in some cases, but as a rule it imposes serious constraints on the National Office's ability to decide objectively and implement decisions. The majority of the episodes reported involved money, although in a few cases states wanted regulations reinterpreted. Similarly, the reported attempts to influence Congress on ES issues focused with few exceptions on budgetary questions.*

The monetary issues fall into four categories. Two categories involved the ES system as a whole--the total Federal funding for the ES and the allocation formula used to distribute these resources to the states. Two others involved matters of interest to individual SESA's: obtaining funds for special projects or avoiding monetary penalties for poor performance or noncompliance with Federal directives.

The episodes involving total ES funding brought into play the channels to the Congress particularly. During 1974, as part of a general strategy of fiscal restraint, the Nixon administration impounded $60 million in funds appropriated for the ES. Acting collectively through ICESA, SESA administrators agreed to call and write Congressmen and Senators urging them to get the funds released. Many SESA officials were hardly strangers to members of their Congressional delegations. Most SESA commission chairmen or department heads we interviewed had some personal or political links to senior members of Congress, often key committee chairmen or ranking minority members. Several Congressmen had once been members of SESA commissions or had worked closely with SESA officials when they were state legislators. As one SESA chairman said, "We had the ties, and we used them for all they were worth." In a unique departure, one state employer advisory committee sent several businessmen to Washington who met with their Congressional delegation and successfully enlisted its leader in their lobbying effort. He quietly obtained the support of Congressmen from other states. The combined pressures (along with general Congressional irritation over impoundment) led to passage of a resolution which caused release of the funds.

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*Some efforts by SESA's to influence Congress on non-budgetary issues were reported, but these involved unemployment compensation or other non-ES matters.

Similar, although perhaps less intense, lobbying efforts have been mounted on at least two other recent occasions, once on behalf of a supplemental appropriation and once to amend the Executive budget so as to retain ES funding at a 30,000 position level instead of reducing it to a 27,000 level. Both efforts succeeded.

Lobbying efforts have occasionally been directed at OMB as well as the Congress. On at least one occasion a SESA official representing ICESA had a Senator arrange a meeting with OMB in which the SESA official presented the states' position on funding issues. Generally, USES officials have taken a passive stance toward these contacts, holding the view that once a Federal budget was set they had to support it.

The lobbying and pressure over the allocation formula center on the National Office rather than the Congress since decisions about the factors and weights in the formula are made in DOL. During the past several years the USES director has initiated a formal process of SESA review and commentary on the proposed formula for the forthcoming fiscal year. That process has included written comments on the proposed formula from SESA's and Regional Offices, and meetings between USES and SESA officials under the auspices of both ICESA and DOL.

On the issue of overall funding, the SESA's generally share a common position and mobilize support through ICESA. The allocation issue, however, tends to divide SESA's into contending groups depending on whether they would be hurt or helped by the proposed formula. ICESA, therefore, does not speak with a unified voice. The organization serves only as a forum for debate and a conduit for contradictory points of view.

Generally, those states (mostly in the Northeast and Midwest) which would receive less under a straight productivity computation fight for the inclusion of hold-harmless provisions or for adjustments that take into account population size and adverse economic circumstances. Those states that do well under unadjusted performance criteria (usually in the South and West) argue the opposite viewpoint. They complain not only about the inclusion of hold-harmless provisions or economic weightings but also about the inclusion of "compression" factors. The latter are intended to adjust the total ES distribution to overall budgetary limitations but also have the effect of narrowing the funding difference between high and low performers.

According to our interviews, the high-performing group may complain but tend to generate less lobbying pressure than the lower performers. This is apparently because they still receive relatively more resources even under a modified performance formula.

SESA's which would lose funding (in "real" if not "dollar" terms) under the proposed formulas have mounted heavy lobbying efforts to change them. Some have acted separately, enlisting Senators or Congressmen from their state to write or meet with the Secretary of Labor or lesser officials to urge adjustments in the allocation formula that would favor their agency. Others have acted collectively. In one Region SESA and Regional Office officials recounted how a joint effort was mounted, first to document the fact that the Region was "not receiving its fair share" of funds in terms of population, unemployment rates or Federal taxes paid, and then to obtain backing from Senators and Congressmen from the Region. According to both National Office and SESA officials, this effort resulted in a deluge of calls and letters to DOL officials from many powerful legislators. Reportedly, reasoned argument was in some cases mixed with veiled threats against legislation important to DOL if a given state was not treated better under the formula.

This political pressure--along with a growing conviction among USES officials themselves that rating SESA's on unadjusted performance was inappropriate--have resulted in alterations in the funding formula. These include the addition of hold-harmless and other "damage-limiting" components as well as the introduction in the FY 1977 Resource Allocation Formula of a 15% weight for "external factors."

The second category of informal state-Federal communications involves the more narrow concerns of individual states--funding for special projects and avoidance of financial penalties for noncompliance with Federal guidance. Our interviews with Regional Office and top SESA officials abounded with recollections of such episodes.

Leadership in one SESA we visited recounted their effort to get extra money to install computerized job matching. Their Regional Office agreed to allot $300,000 which they thought insufficient. Both the commission chairman and ES director came to Washington. The chairman met with White House and OMB officials while the ES director spoke to people in the National Office. They returned home with a commitment for several times the amount agreed to by the Regional Office.

Another SESA we visited told us of a reorganization they undertook several years ago. The Regional Office strongly objected to the nature of the reorganization and ordered it stopped under threat of a funding cut. As the SESA commission chairman described it, "At the time we had thirteen Congressmen and a Cabinet Secretary. I wrote each one of them a letter, and they came charging like the Seventh Cavalry. . . . In the end the order was rescinded, and we went ahead." Several other SESA's recounted similar instances of political intervention that deterred the application of financial leverage by Federal officials.

In one state in our sample such an attempt had recently failed. In this case the Regional Office threatened a partial funding cut if procedures were not developed to properly allocate the costs of local offices the SESA shared with other state agencies. (More fundamental matters of declining SESA performance and poor organizational structure, in fact, underlay this immediate issue.) Two Congressmen of national stature--one Democrat and one Republican--were enlisted on the SESA's behalf. One of them wrote to the Secretary of Labor. However, Federal officials reportedly provided the Congressman information so convincing that he decided not to become involved. According to National Office staff, DOL officials have recently blunted similar Congressional interventions on behalf of states not in our sample by meeting with the interested Congressman and persuasively explaining their position.

VII. RECOMMENDATIONS

SUMMARY

This chapter presents policy recommendations based on the foregoing analysis.

The USES should seek improved institutional capacities in SESA's in order to improve their performance. Three categories of agencies and corresponding strategies are presented:

- *Resistant agencies, which are sub-optimal performers that seem unwilling or incapable of undertaking change. The National Office should use a range of sanctions in order to induce a commitment to reform.*
- *Receptive agencies, sub-optimal SESA's which accept the need to improve. A National Office team should help the state develop greater capacities, using a number of institutional development techniques.*
- *Optimizing agencies, which already have high performance. Assistance should center on advanced technical areas such as computerized job matching.*

Conventional technical and programmatic assistance should complement the institutional development efforts. The following areas are discussed:

- *Metro operations: a comprehensive strategy involving dispersal into smaller offices, more delegation of authority, the use of computerized job matching and accountability systems to link and control the offices, and improved employer relations based on ESIP and a new account executive approach for large employers.*
- *Computerized job matching: ways to resolve problems of USES and SESA competence in EDP, frequent computer program changes, complex data entry procedures and low credibility of data.*
- *Institutional linkages: the need for two approaches to ES-CETA relations, one for favorable environments and one for unfavorable, usually metro conditions.*
- *Labor market information: the use of LMI for various ES marketing and accountability purposes, and the need for separate funding for CETA LMI.*

Personnel systems should be reformed so that hiring and promotion decisions are based more clearly on merit. The following issues are considered:

- *The key role of management in using existing personnel systems well.*
- *Approaches for reforming personnel criteria to make them more performance-related.*
- *Strategies for reconciling public service unionization with managerial objectives.*
- *How the USES may use Federal rules to set boundaries for state level decisions on personnel systems.*

The problem of obtaining compliance with Federal directives is examined. The USES can persuade and exert leverage on SESA's through a number of modalities. However, the RAF is able to communicate only a small number of priorities effectively to the states.

Some changes at the USES level are preconditions for the institutional changes in SESA's and the technical assistance recommended. These include:

- *Policy issues: possible modifications in RAF incentives should be considered that would give states more incentive to improve metro operations, and a renewed effort should be made to transfer some enforcement functions.*
- *Internal development: the USES should improve its own ES program and technical expertise, beginning with the National Office and working outward to the Regional Offices.*
- *Political strategy: the USES Director and other officials must pursue an active strategy within DOL and the Congress to obtain support for their initiatives and forestall counterpressures from states.*

This chapter discusses ways to overcome the problems mentioned in the previous chapters and improve management of the employment service at the state and Federal levels.

First, we set out strategies to improve the performance of three different categories of SESA's:

- "Resistant" agencies that perform poorly and seem unwilling or incapable of undertaking improvement.
- "Receptive" agencies that are sub-optimal in performance but accept the need to change.
- "Optimizing" agencies which already perform well relative to environment but need assistance in certain technical areas.

This discussion focuses on ways to improve the specifically institutional performance which has been the main subject of this study.

Second, we discuss areas where programmatic assistance of a more technical kind seems necessary. Topics covered include:

- Improvement of ES performance in metropolitan areas.
- Computerization and accountability systems.
- Improved linkages to other programs, especially CETA.
- Labor market information.

The sections that follow take up two important managerial issues that trouble the employment service as a whole: the constraints imposed on SESA's by state civil service systems and public employee unionization, and the USES's difficulties in obtaining SESA compliance with national policies and directives.

Finally, we set forth recommended changes at the Federal level of the ES. These include:

- Possible modification of the enforcement requirements and the structure of the funding formula.
- The development of improved staff capability in the National and Regional Offices.
- The need for an active USES political strategy aimed at obtaining the flexibility and support necessary for the institutional changes discussed earlier.

We have tried to be realistic, subjecting each of our recommendations to tests of feasibility. Whenever possible, we have drawn on examples uncovered by our field work or the experiences of other Federal programs. These give some assurance that a given prescription can be effective. Our prescriptions are also grounded in the literature of organizational behavior. Thus, they contain assumptions about how individuals and institutions behave. We have tried to make our assumptions about such matters explicit.

The only way to test advice is to try it out. General recommendations must always be tailored to specific situations and qualified by experience. In some cases systematic field demonstrations would be advisable to test the feasibility of our recommendations before they are applied broadly. This is particularly true in regard to USES strategies for moving "receptive" state agencies into the "optimizing" category through various means of institutional development. In the case of other prescriptions, the risks and cost seem so slight and the potential benefits so clear that prompt implementation seems desirable.

A. STRATEGIES FOR INSTITUTIONAL DEVELOPMENT

CATEGORIZING STATE AGENCIES

The first problem is identifying in which of the three categories--resistant, receptive, or optimizing--a SESA belongs. It should be possible to categorize the fifty states according to our fourfold typology (see Chapter I) on the basis of data drawn from the ESARS system and used to compute RAF scores. The optimizers are those who overachieve in terms of placement productivity (individuals placed per staff year) after that productivity has been adjusted for the economic factors that significantly effect productivity.* The rest are sub-optimizers.

Even though Regional Offices' detailed knowledge of SESA's operation is generally thin, we found that they are likely to know which of the sub-optimizers are trying to improve or are interested in help (receptive) and which are not (resistant). Thus, Regional officials can in most cases be relied on to make at least preliminary decisions assigning SESA's to the three different categories, even though they may have only a vague idea why some are optimizers, some receptive, and others resistant.

To know that, research is necessary which would develop more precise indicators of the institutional characteristics by which we have described different kinds of SESA's. The foregoing chapters are filled with such characterizations in rich detail. Some measures of formal organization structure such as span of control, organizational distance, and proportion of overhead staff were, in fact, presented in quantitative terms. However, we did not develop precise or quantified indicators for such variables as upward or lateral communications patterns, delegation of authority, managerial style or degree of integration into the local community. The objective of the research suggested would be to develop more precise indicators of SESA institutional characteristics which can be operationalized and employed by Federal officials as they observe and work with state agencies. That was beyond the scope of this study, but it seems a feasible task. (For more on this, see Chapter VIII.)

Regional Office staff could use such indicators to develop detailed characterizations of state agencies for the National Office. For example, a resistant SESA could be diagnosed as having problems of excessive overhead staff, custodial leadership, an overly rigid command structure that deterred initiative among local office managers and so on. An initial judgment could also be made by Regional staff about what kinds of Regional and National Office intervention in the SESA were appropriate, and that could be passed on to the National Office. But even before more precise indicators are developed, Regional Offices ought to be able to report at least which SESA's were receptive.

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*See Employment and Training Handbook No. 340, "Guide for Application of Resource Allocation Formula (RAF) for Fiscal Year 1977," May 26, 1976, p. 9, for external variables significantly explaining variation in productivity among SESA's.

THE USES's OBJECTIVE

Once a tentative diagnosis has been made, the objective of the USES would be to make the most effective possible contribution to the institutional development of state agencies. By institutional development we mean fostering organizational capabilities for analyzing problems or opportunities, for adapting to an ever-changing environment and for marshalling all possible human and technological resources in behalf of agency purposes. Such capabilities reside partly in the talent of the agency's workforce but, perhaps more importantly, in the attitudes of its leaders and staff toward their roles and their internal and external relationships. The ideal is an entrepreneurial, introspective, adaptive and (in most cases) Y-style organization similar to the optimizing SESA's described in Chapters I and II.

The state agencies approach this ideal in widely varying degrees. The question facing the National Office is how best to intervene in a state agency, given its state of institutional development relative to the ideal. No single blueprint for progress can be devised. Even the general model of an optimizing organization just mentioned would have to be adapted to the circumstances of individual states. For example, the characteristics of existing staff might counsel a more "X" than "Y" approach in some instances.

With this caveat, it is possible to discuss strategies for each type of SESA in general terms. The proposals comprise a succession of measures designed to bring a poorly performing, resistant state agency first to the point where the need for better performance is recognized and then, in time, to the point where performance approaching the optimal is possible. A different set of strategies is required at each stage. We will take up each in turn.

RESISTANT AGENCIES

Federal officials next need to make a final assessment as to whether a chronically sub-optimizing SESA has the capability and will to reform itself even with outside assistance. To make such an assessment a Federal team, including management or institutional analysts, would probably have to visit the SESA to observe and interview at various levels much as we did in the nine sample states. The attitude and capabilities of top SESA leadership would be particularly important to this assessment. Our research suggested their outlook and operation style largely determine behavior and thinking down through the agency. Their commitment is vital to the implementation of reforms. If the assessment was affirmative and the SESA was deemed "receptive," then it would become a candidate for the set of strategies described in the next section.

If the SESA is judged to be "resistant"--then the National Office would have to decide whether it was feasible to take a series of increasingly drastic steps aimed at shaking up the agency. The objective would be changes in attitude or leadership on which a strategy of institutional development might be built. The decision to take such steps will in part be a political one based on the likely reactions of the state's political leadership as well as the SESA itself. Ways of assessing and perhaps molding politicians' reactions beforehand are discussed on page 167. Our purpose here is to suggest what might be done once such a decision is taken.

First, a poorly performing agency will already be suffering budgetary penalties under the RAF performance-based funding formula. Of itself this should generate some pressure for improvement, but in the case of resistant SESA's that apparently is insufficient. One Regional Office not in our sample was reportedly considering increasing the leverage effects of such budgetary losses by publicizing them. The idea was to issue a press release stating that the state was losing funds and explaining that the reason was poor performance. The fact that the loss was due to the application of an objective, universally applied formula would blunt the countercharge that this particular state was being singled out for special punishment by Federal officials. By bringing the attention of the press, public and state's political leadership to the fact that their SESA was losing money and in trouble, Regional officials hoped to stimulate pressure for changes within the state itself.

Second, additional financial pressure can be put on resistant SESA's by denying them discretionary and recaptured funds. Again the reasons for the denial should be made clear at least to the governor and key legislative leaders as well as SESA officials.

Third, a report on the problems of the agency could be prepared by the visiting Federal team and given to the governor, political executives in charge of the SESA, key state legislative leaders and perhaps members of the state's Congressional delegation. Such a report would document shortcomings and call for specific steps toward improvement as some O&M reports now do. Should inaction continue, the report could be made available to the press and the public with the intent of embarrassing and putting pressure on the agency. This was done with some effect in the case mentioned on page 101.

Fourth, if the state still did not respond positively, then the National Office could convene a conference or hearing in the state on the problems of the agency to which political officials, major constituency groups such as employers and the press are invited. The purpose of the conference would be to place the agency even more directly in the glare of unfavorable publicity.

Fifth, the National Office could defund--or threaten to defund--parts of the SESA operation. Defunding is, of course, politically difficult and is likely to involve Federal-state litigation. But our field work did reveal episodes in which the threat to defund was applied with effect (see page 102). It would seem possible to use at least the threat of defunding particularly wasteful and ineffective activies of resistant SESA's as a pressure tactic--especially where the Federal action could be premised on some violation of law or regulation.

It is not clear that the above strategies will be drastic enough in the case of agencies that are weakest in internal capabilities. One can draw a parallel with a political party which seems to be a permanent minority or a marginal business firm. The more the organization "loses," the weaker it becomes. It may simply be written off and ignored by potential customers, by politicians and by dynamic individuals who might provide it with effective alternative leadership. The agency simply hunkers down in a low-profile, survival strategy. It is also possible that state political leaders would ignore the facts and resist the Federal pressures for political or personal reasons or out of a dogmatic attachment to "states' rights."

If this happens then the USES must decide whether to take extreme actions. There are at least two possibilities.

First, the USES could take the state agency into receivership and reorganize and rejuvenate it under new, transplanted leadership. This is not likely to happen without a powerful external stimulus such as a court decision that the SESA is violating the law. The USES's current staff resources obviously limit the receivership option. That staff is small, and few have recent ES field experience. Clearly, they could not move into a state and replace the existing staff. However, if USES competence and field experience are substantially improved as suggested later in this chapter, a small cadre of Federal staff could be developed that would be able to take over or supervise at least the most critical positions in a SESA under receivership. It might also be possible under IPA-type procedures to borrow individuals from well-run SESA's in the same Region to assist in such reform efforts (see page 132). However, direct Federal management of a SESA might be blocked by the courts on constitutional grounds, since the Wagner-Peyser act seems to reserve to the states the power to run employment services.

Second, the USES could decertify a SESA as a Federal agent and award the responsibility for performance of Wagner-Peyser functions to another state organization. Beyond the political obstacles, there would be obvious, serious problems. One would be finding a capable agent. Another would be the need to maintain the unemployment insurance division of the SESA while dismantling the ES division--or else finding a replacement to deliver UI services, too. The likely disruptions in UI payments and the resulting outcry would probably make the game not worth the candle from DOL's perspective. Furthermore, decertification is not a strategy to be pursued on a temporary basis. One could not dismantle a SESA, find a substitute, and then rebuild the SESA and abandon the substitute. Finally, it is not likely that the USES would be happy to parcel employment service functions out to vocational education and manpower training agencies in a state. Therefore, actual decertification does not seem to be a very practical remedy, although threatening decertification might have some utility.

The devices of receivership and decertification are clearly within Federal authority and were recently enunciated formally in Federal regulations.* However, these sanctions are so drastic that political and practical considerations would severely limit their use. Receivership or decertification could be considered only under the most extreme conditions, when a SESA is refusing to enforce the law or is subject to wholesale corruption or massive financial mismangement. Such instances are rare.

Therefore, the USES will probably find it necessary in most cases to rely on the milder suasions of publicity, exhortation and various financial sanctions or threats of sanctions to shake up resistant, poorly performing state agencies. Examples encountered in our research suggest that these strategems can be effective. If used with skill and determination, they can stimulate political and institutional forces for change within a state. Once that occurs, the next set of strategies come into play.

"RECEPTIVE," SUB-OPTIMIZING AGENCIES

Such states could be identified by the Regional Offices at first informally and later on the basis of the institutional indicators discussed on page 126. There would probably not be more than a few SESA's that were receptive to institutional development strategies at any one time. They would include both SESA's whose leadership had voluntarily shown interest in organizational reform and agencies "pressured" to the point of receptivity by strategies described in the previous section.

The objective of Federal efforts in receptive SESA's would be cultivation of the optimizing characteristics described in detail in Chapter II and summarized on page 127. What is involved is not simply massive doses of conventional technical assistance. Rather, we are suggesting direct Federal participation in the development of institutional capabilities in the states. Such capabilities, which are directly linked to the effective performance of technical, operational tasks, are not created solely by technical assistance which focuses upon operational issues.

SPECIAL NATIONAL OFFICE TEAM

There are two prerequisites to carrying out an institutional development strategy. One is the creation of a National Office institutional development team composed of individuals with specialized capabilities. We do not think that the kind of external help these agencies need can or should be provided by Regional Office staff alone. Very few Regional staff we encountered had the high level institutional development or management science background necessary, and it is unrealistic to think that such capabilities can be developed in each of ten Regions.

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*In early 1977, after the above passage had been written, new sections of the Federal regulations proposed by the USES Director were promulgated. One of them establishes the "remedies" a DOL Regional Administrator may apply to cause state agencies to "carry out corrective actions." Many of those remedies are similar to the options described above. See Appendix II.

Therefore, we recommend that a special National Office team be created which would have as its sole responsibility the task of institutional development of state agencies that are ripe for moving in an optimizing direction. This staff should not have regular operational duties. Program managers with operational responsibilities are necessarily preoccupied with making the existing system work. They concentrate primarily upon administering day-to-day stimuli in hopes of getting tangible results. The tasks of institutional development, however, require a more detached and objective capacity to analyze problems and work with those affected on possible solutions.

Because the task of institutional development will require the talent of individuals who are, in effect, skilled management consultants, the USES will almost certainly have to recruit from outside the government for members of the special team. Since the success or failure of the strategy will depend heavily on the skill, ingenuity and personality of the team members, that recruitment should be done with great care. Cooperation from the Civil Service Commission, DOL personnel officials and OFO (with its management review duties) will thus be important. The team itself may need to supplement its capabilities with outside consultants, perhaps individuals who are experts on various aspects of the four approaches described on pages 132-3.

While at work in a state the team probably should be joined by the Federal Representative for that SESA. Since overall Federal relations with the agency are his responsibility, his involvement would be important. His more intimate exposure to the SESA and to institutional development techniques would serve to expand his own understanding and expertise. Similarly, a member of the Regional Office's OPTS unit might be included, since improving the program expertise and institutional or management development capabilities of these units should be part of the USES's own long-term agenda (see page 165).

PILOT PROJECT

Before such a team goes to work, a pilot research project on the process of institutional development is suggested in one or more states. It should build upon the research project to develop institutional indicators mentioned on page 126. Once more precise indicators are available which measure the characteristics of an organization, the characteristics of a target receptive SESA can be compared quantitatively to the characteristics of several optimizing SESA's. As institutional development efforts proceeded, the effects on the organization, as well as any changes in productivity, could be measured and analyzed. The task of the second research project would be to pursue a number of strategies of institutional development in one or more pilot states, using the indicators. This research should be done by analysts experienced in extracting research findings from a semi-experimental field situation. (For more on the institutional indicator and pilot projects, see pages 172-6).

INSTITUTIONAL DEVELOPMENT TECHNIQUES

There are at least four basic strategies of institutional development which the experimental project could explore and which might form the basis for a National Office program of SESA organizational renewal:

1. Providing external inducements and incentives to change.

For example, the USES could provide budget grants over and above regular funding as an incentive to particular organizational changes. This would resolve the dilemma that arises from the fact that sub-optimal performers are unlikely to have the "surplus" resources necessary to underwrite innovations since they have been losing consistently under performance-based budget formulas. However, such grants should be in the form of a compact or explicit agreement under which the SESA commits itself to certain changes within specified periods of time, in exchange for the extra funds.

New stimuli can be introduced in the form of SESA staff from optimizing state agencies in the same Region who could spend a temporary tour of duty with the target SESA. These individuals might carry out regular operational functions but would also serve as teachers and transmitters of attitudes and techniques. At the same time, much as in other exchange programs, middle level staff from the target SESA could temporarily work in the optimizing one, eventually bringing back home with them ideas and approaches that could benefit their own agencies. Such exchanges would undoubtedly require Federal budgetary support if they were to be acceptable, especially to the optimizing SESA, and Federal involvement might be necessary to assure that the appropriate kinds of staff were transferred. In addition, Federal officials would probably have to take a hand in solving the various problems of fringe benefits, job security, salary differentials and pension payments which would arise.

Beyond this, the National Office could build upon existing channels of communication and influence to reinforce and legitimize this kind of organizational renewal. We know that professional associations are a very fruitful source of information about innovations across states and that such communication linkages bear fruit in state government.* We suggest that the National Office use ICESA as a professional association for the dissemination of knowledge about institutional development and for legitimizing specific efforts in particular states.

We also know that bellweather states exist in Regions which are more innovative in policy and in program development than their neighbors. These innovative states are likely to be catalysts for change in the Region.** Thus, we recommend that more be done to encourage the Regional Offices to promote communication about both organizational and technical problems between state agencies in a Region. This can be done through workshops and demonstration projects as well as exchanges of technical assistance. In many cases a Manpower Training Institute could be used as a mechanism for fostering joint problem-solving sessions and other contracts.***

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*Jack Walker, "The Diffusion of Innovations Among States," American Political Science Review, vol. 63, no. 3, September 1969, pp. 880-899.

**Ibid.

***The MTI was used this way in only one Region we visited (see p.159).

2. Restructure state agency organizational form, roles and staff incentives.

This means alteration of organizational variables in the hopes that attitudes and behavior will change, rather than trying to change behavior by changing attitudes directly. For example, if local office managers have one ambition--to get into the central office--and the best way to do that is to comply exactly with central office directives (to the detriment of local office initiative and productivity), then the incentive system needs to be changed. One approach might be to change authority relationships by granting local office managers far more autonomy and making entrepreneurial behavior and productivity the basis for promotion. In fact, the enhanced autonomy and broadened responsibility alone might be reward enough for some. However, other kinds of reward for productivity such as salary bonuses might be developed. These are the kinds of questions which could be explored in the pilot research.

3. Change behavior by changing attitudes through training, discussions and persuasion.

This approach is not mutually exclusive from the effort to alter behavior by changing structures. It is complementary and one might wish to pursue both strategies in tandem. However, it seems clear that attitudes cannot be changed for a long time unless changes in structures and incentives which reward new attitudes are also undertaken.

4. Introduce specific strategies of service delivery as the entering wedge for organizational change.

As an example, ESIP, although primarily intended as a technique for improving employer relations and services and developing an employer constituency, can be used as a device to promote changes in organizational character. Under the right conditions, the change agents and employee task forces that are part of the ESIP model can be levers by which local offices are opened up to self-analysis and participatory problem-solving or decision-making. The experience of reaching out to work openly with one external group--the employer advisory committee--may in some cases break down normal bureaucratic insularity and lead to fuller exploration of potentially beneficial relationships with other external groups, such as CETA, EDA or vocational education. Employer advisory groups themselves should not be ignored during the process of institutional development. If they become persuaded of the need and the feasibility of organizational renewal, they could be among its most effective advocates.

In a similar way, the introduction of computerized job matching can serve as an entering wedge for important organizational changes. In fact it may require them. As page 139 suggests, if such technical innovations are undertaken without a sensitivity to the organizational prerequisites which must exist, those innovations are likely to fail.

IMPORTANCE OF SESA LEADERS' ATTITUDES

The above four strategies could be the building blocks for the research we recommend and for the development of a systematic strategy for National Office intervention in SESA institutional development. However, experience in the private and public sectors indicates that neither the demonstration project nor subsequent efforts by the National Office team stand a chance of succeeding unless the top managers of the host organization are willing to give their active support to the effort.* In fact, the crucial criterion for selecting the SESA's for institutional development is the full and free commitment of the SESA's top leadership beforehand. They cannot just passively receive what the Federal consultants have to offer. They must be the prime change agents themselves. Their commitment should be based on a complete explanation by Federal officials and researchers of what institutional development will involve.

Beyond this, innovations which require the adherence of staff at the grass roots, for explanation cannot succeed unless those staff members believe that the innovations are likely to be effective. It will be important to appeal to the bureaucratic incentives of staff, rather than introduce changes which go against them. But research suggests that ways must be found to demonstrate to staff that the ideas one is asking them to adopt will in fact improve their agency and the services they deliver.** Here particularly, the burden for making change seem credible and desirable will rest on the SESA's own top leaders, not on National Office consultants or researchers.

OPTIMIZING AGENCIES

Agencies which already perform well in relation to their environment are less in need of institutional development than the resistant and receptive agencies considered above. Optimizing agencies usually have strong institutional capacities already. Their primary need is assistance to deal with specific technical or programmatic problems as they arise. Such assistance is dealt with in the next section.

Throughout this chapter we have drawn a distinction between institutional development and technical assistance. We see the former as applying primarily to SESA's which lack the institutional capacities for optimizing performance--both resistant agencies that do not yet accept the need to change and receptive agencies that do. Technical and programmatic aid, on the other hand, is most useful for receptive and optimizing agencies that recognize the need for strong institutional capabilities or already possess them.

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*For example, see Jeremiah J. O'Connell, Managing Organizational Innovation, Homewood, Ill., Richard D. Irwin, Inc., 1968.

**Milbrey McLaughlin and Paul Berman, Macro and Micro Implementation, The Rand Corporation, Santa Monica, Calif., 1975.

At present, technical assistance is available to all state agencies, and we wonder whether much of this aid is not wasted on resistant, poor performers that lack the organizational capacity to use it well. Perhaps assistance would be more effective if it were concentrated on the more capable agencies--the receptive and optimizing SESA's--or linked to institutional development efforts. To do this would economize on limited Federal staff capabilities that are clearly insufficient to provide effective technical assistance to all agencies at once. This thought should be kept in mind throughout the discussion below.

B. FEDERAL TECHNICAL AND PROGRAMMATIC ASSISTANCE TO SESA's

This section proposes strategies to minimize some of the major problems in SESA operations described in earlier chapters. The focus is more on operational or programmatic matters and less on organizational change than in earlier sections of this chapter.

The areas covered are those where SESA's need Federal assistance the most, specifically:

- Metro operations.
- Computerized data and accountability systems.
- ES relations with other agencies.
- Labor market information.

Some of our most critical recommmendations are those about metro operations. How to make low-performing metro offices function better may be the most serious operational challenge facing the ES. The issues of office size and location, managerial style, computerized job matching, accountability systems and employer relations are considered. While some of the prescriptions may apply to local offices generally, our focus is on the problem of large metro operations in unfavorable environments.

It should be mentioned that effective technical assistance may well require certain changes in Federal policy and capability. These include:

- Possible modifications of the RAF to give states more incentive to invest effort in the improvement of low-performing metro operations.
- Development of greater program and technical expertise in the National and Regional Offices.

These topics are taken up in the last section of this chapter.

METRO OPERATIONS

Our field work and productivity data show that metro ES offices generally have significantly lower productivity than suburban, small-town or rural offices. One reason is the more favorable social and economic environments of non-urban as compared to urban offices. But another seems to be that the non-urban offices were usually smaller in size, with associated differences in managerial style and operational procedures. Compared to large metro offices, the smaller non-urban offices were marked by (1) relatively simple and decentralized internal structures and (2) close and informal ties to employers, other agencies and the surrounding community (see pages 24, 31-2). These features tended to make the small non-urban office inherently more efficient than the large metro operation.

Technical assistance for metro operations essentially means helping SESA's transfer these two characteristics of small offices to the metro setting. As we have seen, the small office structure and style are strongly reinforced by the cultural mores and easy "friends and neighbors" relationships which often prevail in non-urban areas. The issue for technical assistance is whether analogues for these features can be found for the metro setting--or created through new structures and procedures.

OFFICE SIZE AND LOCATION

It seems most essential that SESA's move toward small offices in metro areas rather than large ones. Our field work suggested that smaller offices are more productive than larger ones even in urban areas. In comparable cities, ES operations which dispersed staff to a number of small offices showed better placement results than those which concentrated resources in a few large offices (see page 24). In a number of big cities we visited, a policy of opening smaller offices staffed by transfers from a large downtown office had led to less congestion, improved worker morale and higher productivity compared to before.

Dispersal increases the proportion of staff engaged in direct service delivery (i.e., placement interviewing) and decreases the proportion engaged in supervision and other support roles. The greater number of offices also means that the ES has relatively more contact with members of the labor force and potential employers. For both reasons, placements per staff year tend to increase.

Small offices have the advantage of presenting a non-bureaucratic appearance that is attractive to employers and applicants. They can be opened in storefront and shopping-center locations which are immediately accessible to people. A decor of carpeted floors, paneled walls and partitioned interview areas "personalizes" and "professionalizes" the operation in the eyes of clients. Skilled and professional applicants, especially, are more likely to seek work in small, neighborhood offices with this appearance than in large, congested offices with an institutional, assembly-line atmosphere.

A small-office strategy would be rational for SESA's whether or not funding incentives are adjusted to motivate greater investment in inner city placement efforts. SESA's should attempt to set up a network of "mini-offices" in the inner city area. The offices would be headed by "supervising interviewers"* who would report to a central office for the whole area. The central office would retain a service delivery role but would be smaller than metro offices usually are now.

Since it is politically difficult to close or shift local offices once opened, Regional Offices should continue to review all proposals to open or relocate offices. The Regional Office can use a number of strategies to assure itself that there is enough demand for ES services in a proposed location to warrant the investment. One approach is to look for some form of subsidy (for example, free or low-rent office space) from the local government before an office is opened in a new area. Others are to conduct studies of ES "market potential" in the area or to stage an actual market test by opening a very small pilot office in the area on an explicitly temporary basis.**

The difficulties of moving offices should not be compounded by real estate arrangements. As noted on page 48, SESA's should not use Reed Act funds to purchase offices in metro areas, as this tends to freeze offices in fixed locations. Instead, mini-offices should be rented on a month-to-month basis or on short-term leases. This makes it easier for the agency to shift resources to new locations as population and employment conditions shift in the metro area.

MANAGERIAL STYLE

There are reasons to think that ES productivity would benefit from a management style in local offices which favored more delegation of authority to subordinates and more participatory decision making than is common now. Although we observed no definitive relationship between productivity and managerial style at the local level, other more detailed research on this point has found that a "Y" style favors productivity.***

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*"Supervising interviewers" are one key to improving metro operations. Mini-offices should not be headed by "managers" but by supervising interviewers or "lead workers" who deliver services as well as supervise. Otherwise, dispersal into smaller offices will result in yet another level of bureaucracy that adds little in terms of service or productivity.

**A methodology already exists for selecting local office sites. Regional Offices should require local office location studies prior to site selection and carefully review these studies before approving an office opening or relocation. See Location Handbook for Employment Service Local Offices (Contract Research Corporation, 1976).

***See p. 25. The research referred to, on the Wisconsin ES, found that high-performing offices tended to allow staff more discretion, interaction, and interdependence, and to permit more extensive informal, as well as formal coordination, than low-performing offices. See Andrew Van de Ven et al., "1975 Wisconsin Job Service Organization Assessment: Organization and Performance Efficiency of District Offices" (Wisconsin Job Service Division, 1976).

Further, expected changes in ES personnel, procedures and organization may make a more decentralized management style mandatory. It was mentioned in Chapter II that management of the younger, better educated staff now joining the ES is likely to require more downward delegation of responsibility and more flexible organizational patterns than are often the case now. The changes suggested on pages 151-8 to make personnel for lower level more meritocratic and expand management intern programs for lower level staff could accelerate the trend toward younger managers and staff in local offices. For these people, a "Y" style relationship to higher level management will probably be essential for good morale and high performance.

Chapter II also mentioned that the move towards computerized job matching and other advanced data capability will make more delegation of authority necessary. The effect of computerization is to make routine tasks more difficult and variable, and this usually means that a looser and more discretionary organizational set-up is necessary. Issues of computerization are discussed on page 145.

A third factor favoring a less directive managerial style is simply the small-office strategy recommended above. If metro operations are decentralized to mini-offices in the interests of efficiency, managerial authority must necessarily be decentralized, too. The success of the strategy requires that mini-office "supervising interviewers" be allowed to operate somewhat as individual entrepreneurs, each seeking to maximize the performance of his own office. They, in turn, will find that productivity is served if they give substantial discretion to their own placement people.

Together, the small-office strategy and changes in managerial style promise increased productivity for a SESA but pose certain problems of their own having to do with coordination, accountability and equity. In a large metro office, supervisors exert control though a bureaucratic hierarchy. How then will they maintain control when staff are dispersed to separate offices in the metro area and the overall organization is much "flatter"? And how can placement staff in different offices have fair and equal access to job orders throughout a metro area? A combination of managerial and technical devices can suffice to overcome the special communication problems arising from a more dispersed organizational structure.

Coordination among offices can be promoted by periodic meetings and other contact among all the mini-office supervising interviewers in a metro area. District managers will need to complement present techniques, which rely heavily on administrative hierarchy, with more participatory approaches based on collective problem-solving among all metro managers and mini-office supervisors. In addition, top administrators should promote informal contact and coordination between themselves and the offices and among all the offices.

The more technical and structural means of solving coordination and control problems in a mini-office structure are dealt with in the context of the following sub-sections on computerized job-matching, accountability systems and employer relations.

COMPUTERIZED JOB MATCHING

Computerized job matching is a technical device which could improve ES productivity and also help solve some of the coordination and equity difficulties of mini-offices. Computer terminals accessing a single computerized system for the entire metro office would ensure that placement staff in all locations had access to the same jobs and would also permit review of individual performance (see page 140).

However, implementation of computerized job matching can lead to organizational as well as technical problems. Computerization permits the more dispersed office structure which is desirable for productivity reasons. It also seems to require, as mentioned, greater delegation of responsibility to lower levels. In one DECAL experimental site we visited, it was clear that computerized job matching had led to delegation of authority down to the service deliverer level. Younger staff had adapted best to the new technology and responded most positively to the increased description and responsibility.

Our research suggested that implementation would be difficult--perhaps impossible--in large offices which attempted to preserve a hierarchical internal pattern. A directive managerial style which confines all meaningful decisions to top levels may be incompatible with the need for broad-based initiative among staff created by computerization. At the very least, intensive retraining of staff will be necessary.* As noted on page 133, it would be desirable for the organizational changes to accompany or precede, rather than follow, the technical changes in procedures.

Federal officials should oversee the implementation of computerization with sensitivity to the managerial changes required. At present, Regional Offices have very limited competence, not only in the technical aspects of computerization (as must, perhaps, be expected at this early stage), but in the organizational and retraining aspects of implementation. Computerization should not be implemented before the structural characteristics and capacities of local offices are assessed.* Implementation may have to be postponed until managerial and organizational patterns are receptive and sufficient training can be provided. Some metro areas may be too small to justify computerized systems at all.**

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*One computerized job matching site we visited was a large metro office with the lowest performance in its SESA. Staff were steeped in existing procedures, had no experience with computer terminals and were given only 4.5 days of training per staff to learn the new procedures. Under the circumstances, one ES official felt that computerized file search could well be "the final blow" for this office rather than a resource for improvement.

Another metro area we visited which was about to implement computerized matching had a large ES operation (about 150 placement interviewers). Its single downtown office was by far the largest visited during this study. It had many supervisory levels and a very rigid, hierarchical chain of command. No changes in organization or managerial style were contemplated as part of the change to computerization. In fact, the office was about to sign a new, 20-year lease which would effectively foreclose the option of dispersing staff to smaller offices.

These instances suggest that computerization should not be implemented in large metro offices without advance consideration of the existing organizational environment and the changes needed to make the new procedures work.

ACCOUNTABILITY SYSTEMS

"Accountability systems" include, not only automated data systems like ESARS, but any procedures for collecting data on the performance of operating units and matching it against operationalized goals for the organization, in order to identify shortcomings and problem areas.

Accountability systems can enable managers to recapture some of the control they might otherwise lose due to the decentralization of operations to smaller offices. In a bureaucratic hierarchy, managers control staff by directing day-to-day operations. In a dispersed structure, they necessarily give up this direct kind of supervision but seek to retain ultimate control by monitoring the performance of staff through accountability systems. There is less control of administrative process but more awareness of the final output of service. Staff are freer to choose operating tactics for themselves, but they are held firmly accountable for results.

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*Managers we interviewed who were soon to have their local operations automated were not familiar with Job Service Matching Systems (JSMS) procedures. They had no knowledge from which to estimate JSMS's impact on their local office operations. Some had participated in training sessions for managers but had not received the "extensive training in the characteristics of the system" called for prior to management training (Training for SESA Automation--Module 13: "Instructor's Manual for Training for SESA Managers," p. 7). Also, none had visited local offices operating under the JSMS.

We carefully reviewed the JSMS Training Modules for any recommendations on how to set up units, create linkages between application and job order takers, redefine supervisory responsibilities and identify the optimal size for an automated office. However, these modules dealt primarily with functional rather than organizational concerns. The management modules (Modules 12b through 13c) do however encourage a managerial style consistent with the Y-type style recommended in this study. These modules do this by emphasizing anticipatory behavior and planning, staff participation in developing and deciding on change strategies, greater interaction with staff, and the use of MIS for managing by objectives or by exception rather than direct close supervision of staff.

**SESA administrators and computerized job matching specialists interviewed were anxious about the cost and productivity implications of JSMS implementation. Their independent analyses of these impacts indicated that Federal provisions for covering costs (two full years of funding after which SESA's would absorb continuing costs) and compensation for lost productivity during transition (relief after RAF allocation dropped at least 20% due to productivity decrease) were inadequate and "fuzzy." From their perspective, SESA's could be left holding the bag on unplanned cost over-runs and productivity difficulties. Therefore, it should be determined before implementation that the marginal gains in productivity would cover the additional cost of computerization, especially in non-metro areas.

Accountability systems are necessary both within local operations and within the overall organization, to hold all offices accountable to the district or SESA management. Within local offices, managers need ways to monitor the performance of individual staff members. Mini-office supervisors would report to managers located elsewhere. Hence, accountability requires a reporting system that generates data on the placements and other accomplishments of these outstationed staff. The most promising approach is to produce such data using an interface between ESARS and Job Bank.* Some SESA's already have these systems in operation. Federal technical assistance should seek to develop these systems further and export them to other agencies.

The second level of accountability requires ways for SESA administrators to monitor and compare the performance of local offices. The system should permit top level managers to detect operational problems in particular offices and allocate their resources most rationally among all offices.

The systems used by most SESA's we visited were able to do this very imperfectly. They assessed local offices by how well they met their Plan of Service (POS) goals. This approach to accountability has several drawbacks, especially for metro areas. The placement goals given to metro offices were commonly recognized to be unrealistic. These goals were usually imposed by the central office on metro office managers who had little role in developing them. In recent years, placement goals had characteristically increased, even though resources devoted to metro areas had decreased.

Further, SESA's made little attempt to adjust norms for local offices to reflect the influence of the social and economic environment. Officials recognized that placements were inherently more difficult in metro settings. Their assessments of metro performance were intuitive rather than the result of an objective, analytic process. Some officials saw the lack of an analytic method as a bureaucratic convenience. If low-performing offices were excused any part of their low performance on account of environment, it would be more difficult to pressure them to improve. And to adjust goals or performance overtly might open a bureaucratic Pandora's box, with offices of all descriptions pressing cases for adjustments because of special conditions.

All SESA's visited attempted to use ESARS or POSARS* data within their states to hold local offices accountable. However, ES officials told us that ESARS printouts were not easy to use for this purpose. The tables were viewed as cumbersome and unhelpful by managers at all operational levels. In some SESA's, the validity of the data reported in ESARS was questioned. As a consequence, hand tallies and supplemental reports on a few key activities were used by managers to evaluate local office performance. In some agencies, data was broken down only to give total numbers of placements per office, not productivity per office in terms of placements per staff.

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*Staff Performance Reports" are available for individual workers or work stations in SESA's with Applicant Data System (ADS) and Manpower Operations Data System (MODS) systems. These reports are also generated by the JSMS system.

*Plan of Service Automated Reporting System.

However, two SESA's in our sample had developed systems of their own modeled on the RAF. These were the most advanced accountability systems for local offices that we encountered. The systems generated print-outs showing productivity for area or local operations in each of the RAF categories--individual and transaction placements, productivity improvements, types of individuals placed and types of jobs filled. The ES objectives found in the RAF thus became the criteria by which local operations were judged. Competition among offices was promoted because goals were operationalized and clear. Each month, managers could identify areas where their operations were not "paying for themselves" and where improvements were necessary.

RAF-based systems can use further development. Neither of the two existing systems makes use of the "Index of Placement Difficulty" in the RAF, in part because data on economic factors affecting productivity are available only for major SMSA's. Further, our state selection process and subsequent research suggested that the labor market factors now in the RAF may not capture all the significant economic influences on productivity, even among states. The National Office should sponsor development of factors for within-state economic or labor market variation to be used in within-state accountability systems modeled on the RAF. Some of the stronger, more analytic SESA staffs already have the capacity to advance this development if there were top level interest and funding.

As soon as practicable, the National Office should seek to package RAF-type accountability systems for all the SESA's. Agencies would then be able to use within-in state accountability systems whose goals and procedures were congruent with the RAF, among-state system. Changes in weightings in the national formula could be reflected easily and quickly in the state level systems. Federal representatives, like SESA administrators, would be able to monitor within-state productivity variations and work more effectively with states on improvements.

IMPROVING RELATIONS WITH EMPLOYERS

Poor relations with employers are a major reason for the low productivity of many metro offices. This sub-section discusses two strategies for improving relations, ESIP and the use of account executives to manage referrals to employers.

As Chapter IV suggests, ESIP is an important strategy by which the ES may be able to transfer to urban environments the close ties between local offices and employers which are often found in non-urban settings. ESIP is an attempt to create through conscious policy and formal organization the easy relations which occur unconsciously and informally in non-urban settings because of a simpler, "friends and neighbors" social structure.

ESIP should be implemented with substantial Federal guidance to assure that it achieves its purpose. ESIP funds, for example, should not be squandered on SESA's that already have good employer relations and just want extra money. The funds should be targeted on SESA's where there is evidence that ESIP structures might lead to an important improvement in relations in the critical metro areas.

SESA officials should make analyses of LMI in order to identify employers for participation in ESIP who could possibly become good customers for the ES. This means employers who (1) have a lot of lateral entry or outside hiring, (2) hire and promote internally but with entry-level intake at a skill level approachable by ES applicants, or (3) do not hire through union hiring halls. ES personnel with employer services responsibilities should be involved in ESIP, and the needs of employers in ESIP should get special attention.

Regional Offices should see to it that ESIP procedures are followed in substance as well as form. The point of ESIP is to give outside employers and, to some extent employees inside the organization, an opportunity to change ES practices for the better. Federal officials should view these forces as allies in their attempts to promote change in sub-optimal SESA's. Some local office managers, however, have viewed these influences as threats and have sought to manage, control or otherwise distort ESIP processes. Some EAC's have been "snowed" by SESA's that were really unreceptive to their recommendations(see pages 87-9). Federal officials should seek to head off these distortions. To judge from our research, ESIP is more likely to have impact if in the future there is:

- More interaction between EAC's and ES employee task forces.
- More emphasis on change agents who are genuinely independent rather than dependent to varying degrees on the local office manager.
- More involvement of employee task forces in the posing and solving of productivity problems within local offices.
- A continued role for the EAC's and task forces extending beyond the initial report and recommendations.*

Finally, Regional Offices should help set the parameters of ESIP recommendations. Federal representatives should act as consultants to EAC chairmen to ensure that recommendations for change do not overstep the bounds of what is permitted by budgetary and regulatory limits and what can be implemented. Without constraining local deliberations, Federal officials should feel free to advocate changes they seek to employer representatives sitting on EAC's.

ESIP is a way to obtain employer feedback about ES services. Another essential for improving employer relations is to service employer needs more effectively. As reported in Chapter IV, it may be possible to do without special employer relations staff altogether in smaller offices in towns or small cities. All professionals would share responsibilities for visits to employers and contacts with them. Employers in the area would be researched and divided up among the placement staff. Each employer would then be informed that there was a single ES staff member whom he could contact about any needs, inform about inappropriate referrals if necessary, and who would be held responsible for servicing the employer's "account."

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*In this connection, the use of the term "Employers Ad Hoc Committee" should be discouraged in favor of "Employer Advisory Committee." The former connotes something transient and with limited purposes, the latter something that is institutionalized and with a broad mandate. Too often, ESIP is regarded at the local level as just another short-lived Federal enthusiasm which managers can treat only as a temporary irritant.

In large metro areas, this simple approach is infeasible. The size of the labor market requires more service personnel and more offices. The costs of coordinating each interviewer's employer contacts becomes prohibitive. Metro operations consequently use employer service representatives (ESR's) for employer relations. Locating ESR's in a district office appears more effective than outstationing them in local offices. Centralization of ESR's in the district office improves coordination of employer relations efforts, permits specialization by industry and allows each office an equal opportunity at job orders. Where ESR's are assigned to local offices, these offices tend to compete for job orders in an uncontrolled manner, Without central order-taking (COT), offices with many job-ready applicants tend to receive more employer job orders than inner city offices.

However, centralization of ESR's and COT have their costs. ESR's no longer have daily interaction with local office staff. Due to COT procedures, employers lose their personal contacts with interviewers. Quality of referrals deteriorates and employers become disenchanted with the ES. The resolution of this problem requires new approaches which can reproduce in the complex urban setting something of the easy ties between the ES and employers which occur in simpler environments (see pages 85-9).

ACCOUNT EXECUTIVES

Part of the solution may be "account executives" who would have primary responsibility for relating to particular employers in metro areas. The concept is similar to that described in the "Vickery Report,"* but specially adapted to metro areas with multiple or mini-offices. The account executives would be recruited from the more capable ESR's and placement interviewers. Efforts would have to be made to ensure that the job had sufficient prospects to attract able people and was not (as ESR slots often are now) a backwater for unproductive personnel. The account executives would be centralized in district offices. They would have referral control for their accounts over all local offices in the metro area.

The role of the account executive would be primarily to give large employers in a metro area a single point of contact with the ES and to exercise quality control over referrals to these employers, but without taking on the placement function or compromising the ability of different metro offices to compete for placements. While small employers would have to contact the ES through the impersonal medium of COT, large employers or those likely to be especially good ES customers would be assigned account executives at the district level to give them more personalized services.

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*See Report of the National Employers' Committee for Improvement of the State Employment Services, DOL, 1972, p. 23. There, it was proposed that account executives be placement interviewers whom ESR's assigned to particular employers subject to the approval of the latter. Employers could choose which office to send their job orders to initially, but after 48 hours the orders were to be entered in the Job Bank and made available to all offices.

The account executives would make promotional visits to these employers, receive all job orders from them and make sure their requirements were correctly identified before entering the orders in the Job Bank. Then local offices with applicants for these openings would have to obtain authority from the account executive before making a referral. The account executive would discuss the applicants with the local placement interviewer over the phone to make sure they were qualified before allowing referral. With computerized job matching the account executive could do this simply by calling up the applicants' characteristics on his terminal. After referral, the account executive would contact the employer to verify any placements and receive feedback on whether or not the applicants were satisfactory. The model for the account executive is set out in more detail in Appendix III.

This concludes our discussion of technical assistance for metro operations. Three other areas for assistance are discussed below: computerization, linkages with other agencies (e.g., CETA), and labor market information. Some subjects were already touched on above, but here the discussion is aimed at offices in general, not just metro operations.

COMPUTERIZATION

SESA's visited had problems with computerization that extended beyond job matching and accountability systems. These were in five general areas: (1) competence of electronic data processing (EDP) staff, (2) National Office computer program changes, (3) data entry procedures, (4) credibility of output data, and (5) non-integration of data systems.

EDP COMPETENCE

The competence of EDP staff was low in some sub-optimal SESA's according to state and Regional officials interviewed. Problems with their data systems were consequently rife. One problem was that EDP salaries were non-competitive. Qualified and experienced EDP managers, as well as systems designers and programmers, were lost to better paying positions in the private sector. The less qualified remained in the agencies. Thus, sub-optimal SESA's were often in need of technical assistance.

While primarily a state problem, Federal officials could encourage these SESA's to conduct prevailing wage surveys to determine the salary comparability of their EDP positions with those in the private sector.* Such information could be used to justify to the state personnel authorities the upgrading of EDP salary schedules. However, comparability surveys may not by themselves justify salary increases in states facing austerity budgets. A pay increase in an ES classification would require increases in similar classifications throughout state government. The results of a salary comparability study, however, could create alliances among state bureaucracies around the issue of non-competitive salary structures. Federal officials could also intervene directly with state personnel authorities by indicating the severity of non-competitive salaries and their effect on SESA operations and productivity.*

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*A methodology for conducting such studies is presented in "Pay Comparability Surveys--An Approach for State Governments," U.S. Department of Labor, Employment and Training Administration, Bureau of Labor Statistics, no date.

To resolve EDP problems not directly related to SESA EDP competence requires Federal assistance. Unfortunately, Federal assistance on computerization was generally perceived by SESA's as inadequate. Regional Offices lacked the expertise to help SESA's with EDP problems.** The National Office or its funded computer centers possessed expertise, but the National Office staff were seen by SESA's as understaffed and overtaxed.***

In the short run, sub-optimal SESA's might, with Federal help, be able to acquire expert personnel through IPA transfers from state agencies with notable EDP capability.**** In the long run, greater EDP capability must be developed in the Regional or National Offices. The need for assistance will become even more critical as additional areas implement computerized job matching.

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*See pp. 12-17 of "Pay Comparability Surveys" for Federal influences on salary levels in Federal-state agencies.

**This was the consensus of SESA officials and staff interviewed in all Regions visited. The implementation of the JSMS has led to the designation of a Job Matching Coordinator in each Region. However, these Regional Coordinators will have other duties as well. The role will probably be limited to monitoring developments and acting as a "conduit" for information between SESA's and the National Office.

***This impression, too, was widely held in both SESA's and Regional Offices visited. The Employment Service Automation Plan (ESAP) of April 15, 1976, identifies approximately 24 professional staff in the National Office with implementation responsibilities for both ES and UI. Most of these are working on the JSMS. However, they have little time for technical assistance due to planning, systems design and coordination commitments. The same currently holds true for Field Centers, though provision of technical assistance is supposed to be one of their major roles.

****A number of possibilities could be explored. One approach might involve obtaining on IPA qualified, experienced EDP personnel from relatively large SESA's with well-staffed units. These could be deployed to ES's with "troubled" EDP operations. Contributing SESA's could receive funding to support replacement of the staff member on IPA (an outside hire or consultant) until his return. Another approach might be the broadening of the responsibilities of JSMS "evaluation groups" within Regions. Their Federal and state members could provide technical assistance not only to JSMS sites but also to SESA's experiencing ongoing EDP difficulties.

COMPUTER PROGRAM CHANGES

The EDP operations of most SESA's visited were significantly disrupted by the quality and timeliness of modifications made to software packages for each new fiscal year. Changes were received from the National Office in late June for implementation in early July. Programs were not "debugged." This not only meant additional EDP costs, but left field operations for months at a time without functioning automated management information systems.* The above recommendations on National Office staffing should help alleviate this problem.

DATA ENTRY PROCEDURES

Some SESA's had relatively few problems with their data systems. They had the EDP and operational expertise to quickly solve problems and implement changes or new systems, like ADS and MODS.** They had redesigned data input forms to end duplicative reporting, and systems were streamlined to minimize the costs of inputting data. Other SESA's, however, were fettered with inefficient data entry procedures. National and Regional staff should encourage these SESA's to adopt the more efficient procedures developed elsewhere by SESA's facing similar operational and scale problems. This strategy could be advanced by increased lateral communications among SESA's in a Region and a sharing of information among Regions.

CREDIBILITY OF OUTPUT DATA

The above problems contributed to a "garbage in-garbage out" syndrome in some sub-optimal SESA's. In these agencies staff were maintaining manual, duplicative records because of their distrust of computer-generated data. In one sub-optimal SESA, an official with data system responsibilities stated, "I wouldn't give you two cents for any of the data, including placement counts, in our cumulative tables." This agency backed up its automated system with manual hand-counts. It was attempting to "clean up" its placement counts. In the words of one official, "There's no way we can correct the rest. . . . Placements are all that matters anyway."

Federal assistance on technical EDP problems and on data entry procedures would improve the credibility of ESARS data in these SESA's. Progress had been realized in other SESA's. We found that the credibility of ESARS with staff had greatly improved during the past year or two in most SESA's visited.

INSTITUTIONAL LINKAGES

In Chapter IV we described the relationship between local ES offices and CETA prime sponsors and the effect of CETA participation on ES productivity. Our findings suggest a dual strategy by SESA's toward CETA participation. The strategy chosen by a SESA should depend on the environment of its local operations. It would also depend on the budget weight attached to "special applicant" placements in the RAF.*

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*Two SESA's visited discontinued ESARS reporting to the field until October-November of 1975 because of problems with FY 1976 modifications.

**Applicant Data System and Manpower Operations Data System.

One strategy would apply mostly to non-metro offices or those in generally favorable environments. These offices should be encouraged by SESA administrators to contract for job development and placement with prime sponsors. These activities should be funded under Wagner-Peyser, since it could be expected that CETA work would yield enough placements for the SESA to raise its productivity and RAF score (see page 83). Such a strategy would also promote a comprehensive manpower service delivery system in the prime sponsor area by minimizing duplication of the ES placement capability by other agencies. The strategy would also make more CETA funds available for training, counseling and PSE programs.

The alternative strategy would be employed mostly by metro ES operations. These are generally in unfavorable environments. With the current RAF, it is unprofitable for them to provide prime sponsors with placement services under Wagner-Peyser funding.** Therefore, it is understandable that ES offices in metro areas take a cautious stance toward CETA. A posture of minimal involvement may be most realistic given the need of ES offices to seek placements and the difficulty of placing many metro CETA trainees.

If metro offices do seek a CETA role, their CETA operations should be separate from the main ES operation and identified with the rest of CETA functions as closely as possible. This means that ES job development and placement efforts for CETA should be financed from CETA funds, and the ES staff working for CETA should if possible be located in prime sponsor training or service centers. The separation may make it possible for ES personnel working for CETA to relate better to the other service deliverers and political figures involved in CETA and improve the ES image in the eyes of the latter. Separation would also help keep CETA involvement from compromising the ES in the eyes of employers and higher-skilled applicants not involved in CETA.

The National Office should establish general guidelines for ES involvement in local CETA programs. It should not mandate a single national policy. Given the current ES incentives and CETA structure, Federal regulations should not stipulate a particular ES-CETA relationship. Guidelines should, instead, indicate the conditions under which one of the two strategies would be most feasible, productive and complementary to the primary ES mission of placement. Regional Office staff should support these guidelines in their contacts with prime sponsors.

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*Changes in budget weights could also affect resource allocations in metro areas. See p. 160.

**See p. 83 for the reasons. However, if the budget weights in the RAF were modified to reflect the greater difficulty attached to placing CETA trainees, then placement contracts might become profitable for local offices using Wagner-Peyser funds.

SESA's should seek improved relations with other agencies such as vocational education and EDA, but for broad organizational and political reasons more than for any immediate benefits to productivity. To judge from our research, closer ties are likely to benefit placement performance only marginally, although the gains could be larger and substantial for sub-optimal SESA's operating in Southern and Sun Belt states where there is rapid economic growth. However, improved communication and coordination among agencies do improve inter-agency referral of clients and services to them. And cooperative ties enhance the image of the ES as a state agency and a service provider committed to the local community. This reputation may lead to greater penetration in the future.

LABOR MARKET INFORMATION

The ES needs improved LMI to help meet its promotional and organizational needs and, to a lesser extent, to improve services to applicants and employers.

SESA research and statistics units are expected to meet the LMI needs of CETA prime sponsors. At present, however, the need is often met imperfectly because there is no regular funding for it. ETA should provide all SESA's with regular funds for this function. If ETA does not, SESA's should seek a portion of the 4 percent governor's discretionary funding under CETA to finance further development of LMI for both CETA and the ES. From either source, the money would finance the disaggregation of existing LMI for smaller jurisdictions. By filling this need for prime sponsors, the ES can improve its image in the eyes of CETA.

At the same time, the information would support ES promotional and managerial activities. Local level LMI would assist the marketing efforts of ESR's and account executives. It would help local and central office managers estimate the "potential" penetration of the ES into local labor markets and the economic factors affecting local office performance. These estimates are important for both assessing the performance of existing offices and helping to decide where to locate new ones. Specifically, LMI disaggregated to the level of local offices would be essential to the development of within-state incentive funding formulae modeled on the RAF, a recommendation made above (see pages 141-2).

Better LMI would also improve ES services to applicants, although it is questionable whether the investment would be rational for this purpose alone given existing funding incentives. Our research showed that most ES placement interviewers and other service personnel derived their labor market information from contacts with applicants and employers, not from LMI published by SESA's. LMI appeared to play a direct role in job search only through the Job Information System (JIS), and LMI was an important part of JIS in only one local office we visited.*

This concludes our discussion of technical and programmatic assistance to SESA's. We turn now to two major institutional issues of concern to the USES and all SESA's: personnel systems (including civil service and union constraints) and obtaining SESA compliance with USES policy.

C. PERSONNEL SYSTEMS

Chapter III described constraints that state personnel systems and public employee unions can impose on SESA's. Personnel systems in a few instances injected political and patronage considerations into hiring and promotion decisions. More widespread and serious were problems due to civil service procedures and unionization.

POLITICAL INTERFERENCE

In cases where there is evidence of gross systemic patronage abuses, the Federal government can and should intervene. Widespread politicization of SESA personnel processes clearly contravenes the intent of the Wagner-Peyser Act and Federal regulations. Our field work suggests it also adversely affects staff morale and performance. In these cases, DOL should seek personnel reforms through inquiries by its audit and legal authorities (or by Federal district attorneys) and, if necessary, through threats of selective funding cuts. Public opinion could be counted on to reinforce the legal and fiscal sanctions if the abuses were made clear.

Local, ethnic-group involvement in the selection of local office managers (see page 85) probably requires a different response. Current public mores do not view this kind of influence in the same light as traditional political patronage. Local ethnic pressures often serve values which are currently of importance to society as a whole (affirmative action) and to the ES itself (establishing "friends and neighbors" relations between the local office and its community).

Policy should concentrate on diminishing the apparent contradiction which often exists at present between these political values and meritocratic selection principles. Greater efforts may be necessary, for example, to identify and develop promising minority staff more rapidly, so that they would be more qualified to assume managerial responsibilities. The selection criteria might require that applicants chosen be "qualified" but not necessarily "best qualified" for the job.[*] The selection process might involve oral examinations that include local involvement. All these steps would bring more individuals with needed ethnic backgrounds into consideration for managerial jobs while preserving meaningful selection competition.

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*In this office, a former COMO experimental site, the JIS was meant not only to identify the "job ready" but to provide information so applicants could find their own jobs. The district-level management had consciously decided to retain this resource in this JIS because of a belief in self-search and self-placement. There were clear costs in that JIS personnel were committed to an operation which resulted in no placements for which the office could claim credit under the RAF.

However, SESA's should retain control of local management selections. Decisions should not be delegated to local political officials, as happened in one sample SESA. The SESA must play a dominant, though not exclusive, role to assure that selections meet minimum objective criteria. If SESA's could not adhere at least to these conditions, Federal involvement of some sort may become necessary.

CIVIL SERVICE AND UNIONIZATION PROBLEMS

These problems appear to be of more general importance to the Employment Service system than politicization. They also seem less susceptible to direct Federal influence. In most states we visited, civil service regulations, public employer unionization or both worked to inhibit organizational flexibility and meritocratic personnel decisions. The most prominent constraints were:

- Promotion procedures unrelated to performance and based on seniority as the principal decision criterion.
- Limitations on the utilization of staff, including highly specialized job classifications, "preservation of bargaining unit work" agreements, restrictions on elimination of unneeded positions, and prohibitions on moving staff from one job or location to another.
- Obstacles to rewarding achievement and penalizing misconduct or poor performance.

In some cases, these impediments had virtually eliminated performance as a consideration in decisions about recruitment, promotion and pay increases. In one sample SESA, to cite an extreme case, the union contract stipulated that:

> An employee's performance rating shall not be used in determining his entitlement to . . . [an annual] increment [in pay].
>
> The annual increment shall solely be granted on the basis of [length of] service . . . .

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*However, "qualified" must be carefully defined, or neither affirmative action goals nor meritocratic norms will be served. If "qualifications" are defined in terms of experience or educational qualifications, for example, minority candidates may find it difficult to qualify, while at the same time the criteria may have no clear relationship to performance on the job. If possible, qualifications should be set in terms of previous work record or other concrete measures of "track record" in jobs similar to those being filled.

It should be recognized that SESA's themselves usually have little direct control of personnel policies. Civil services practices are usually determined by personnel boards or civil service commissions with authority over all of state government. Similarly, union agreements are usually negotiated government-wide at a level above that of individual agencies. For these reasons, SESA's are rarely directly responsible for the personnel constraints under which they may labor.

However, the impact of civil service and unions still depends importantly on SESA policies and, especially, management style. State agencies have the power to influence, if not to determine, the decisions embodied in civil service rules and union agreements. Our field work and a brief review of several monographs provide some thoughts on how SESA's may deal with these constraints more imaginatively and constructively.

We were particularly interested in one SESA we visited briefly, even though it was not in our sample. In an urbanized Northeastern state with historically low economic growth, this SESA had suffered more than most from the above constraints because of a politically powerful labor movement and a civil service system known for its rigidities. Nevertheless, the leadership had developed strategies for changing personnel processes and relationships with the public employee union and were in the process of carrying them out. Their experience offers lessons for others.

MANAGEMENT ATTITUDE

First, SESA top managers saw civil service and union constraints not as insoluble obstacles but as problems that could be alleviated. This was part of their management philosophy and, indeed, their reformist attitude toward government in general. In the words of the SESA administrator:

> The thing government does worst is manage people. . . . It's our first responsibility. We have to make the merit system work for us, use the tools that are available in it . . . , not be reluctant to get into grievance procedures and fight cases through when we have good ones. . . . establish precedents.

This requires both time and will. Administrators must give more time to personnel procedures and endure the associated unpleasantness and pressures.

The imaginative use of personnel systems is just one aspect of competent management in general. Union spokesmen often contend with some reason that productivity problems in government are not due to the civil service or unions but to weak and ineffective management. Administrators need to meet this criticism if their efforts to reform personnel practices are to receive sympathetic consideration.

MAKE THE CURRENT SYSTEM WORK BETTER

Although overall civil service reform may be necessary, ways can be found to make the current system somewhat more flexible and meritocratic.

In the SESA mentioned above, step salary increases had long been automatic, rarely subject to serious review. The SESA began reviewing step increases more carefully and recommending denials where they could document non-performance, excessive absenteeism or misconduct. The agency, whose staff composed only 5 percent of state government personnel, reportedly accounted for nearly half the step increase rejections.

Similarly, they had "rolled back" the classification of some employees holding provisional and temporary jobs whose performance had not merited their positions. They were preparing to take similar action against permanent staff. Also, they reversed the practice of exempting staff who had reached the top step of their classification from annual personnel evaluations. Together, these initiatives had begun to make advancement and pay increases less automatic and restore some connection between those rewards and job performance.

Further, as SESA leaders began to restructure parts of their organization, they sought ways to use staff more flexibly. They made use of an old statute which permitted agencies to transfer staff from one geographic location to another if the benefit to the agency could be shown to outweigh the inconvenience to the individual. As with some of the other initiatives, implementing this change required lengthy, complex civil service commission hearings. The SESA persevered, however. It won the case and established a precedent its leaders thought would permit more efficient use of staff in the future.

REFORMING THE PERSONNEL SYSTEM

While using the existing system, SESA leaders need to develop ideas and strategies for a general overhaul of personnel procedures. At the time of our visit, the SESA in question had only begun this process. But a few elements of its approach plus tactics adopted by other state and local governments with similar problems offer some guidance to other SESA's.

First, personnel decisions need to be based on more meaningful job-related selection criteria. In the state mentioned above, promotions had been based almost exclusively on scores on a single multiple-choice examination and on seniority. The SESA was engaged with the state civil service commission in developing various new selection procedures. One which was used for managerial positions provided for:

- "A more meaningful written examination" intended to test candidates' general managerial capabilities.
- "A day-long written presentation" in which the candidate prepared statements of how his background, training and work experience qualified him for the job.
- An oral examination by a board of managerial personnel selected by the Civil Service Commission from outside the SESA (in some cases SESA officials from other states).

At present, they are developing another examination for top classifications using assessment techniques such as "in-basket" exercises (i.e., the applicant is asked to take action on a typical sample of items that might come to his desk, and his responses are evaluated).

Second, there is a need to link pay and advancement more closely to actual job performance. In the SESA mentioned above and several others, administrators were beginning to consider ways of tying personnel evaluation processes to more objective performance standards, perhaps through the use of management-by-objectives (MBO) techniques.*

Third, administrators in several SESA's wanted to increase probationary periods so an agency could be more certain of the capability and performance of new hires before making long-term commitments to them.

Fourth, ways must be found to identify and develop managerial potential among young service delivery staff. Administrators in most SESA's described managerial talent as among their agencies' greatest needs. Several spoke of their desire for "management intern" or "acceleration" programs to offer promising younger officials more and broader training, faster movement around different assignments within the agency, and more intensive guidance and evaluation. Without ways to stimulate hope and satisfy ambition, the agencies were likely to lose many of their better young people when the recession ended and attractive job opportunities opened up elsewhere.

The problem is to reconcile such programs with civil service, union and affirmative action priorities. While most SESA officials foresaw considerable difficulty, the leaders of the SESA we have described believed a selection process as objective as any other could be developed for such programs and that union objections could be negotiated. Intern programs might actually reinforce affirmative action since they could provide a way to partially detach the development and advancement of minorities and women from the usual civil service constraints.

UNIONS

The relatively brief experience of state government with collective bargaining and our own field work suggest some general strategies that SESA's might consider in dealing with unions.

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*MBO is an approach which is gaining increasing favor in industry and some local and state governments. The system sets specific targets for the performance of units or individuals and then holds them accountable, for example through the award or denial of pay increases and promotions.

The problem with many existing civil service systems is that they exclude most political interference only at the cost of basing personnel decisions on criteria--such as seniority, educational standards or test results--which have little clear relation to on-the-job performance. In principle, MBO can avoid both difficulties. Its standards are objective and performance-related. However, the system assumes that specific goals can be defined for personnel in all kinds of jobs and that these criteria, themselves, will not be arbitrary or subject to political manipulation.

First, union militancy and cooperativeness will vary. In some cases, union leaders may be persuaded of the need to make changes that can improve productivity. Some may be convinced by arguments made in terms of the public interest or professional ethics. Others may be responsive to appeals to self-interest. For example, it can be argued that the Federal funding formula makes performance imperative. If productivity declines and, with it, funding and positions, union members and the union itself may suffer.

Some of the reforms suggested in the earlier sections on institutional development (such as more participatory decision-making, greater responsibility, increased education and enhanced professionalism) may moderate the appeal of those aspects of unionism that can adversely affect performance and productivity.

State agencies must also begin to develop strategies for the collective bargaining process. It seems important that they enter negotiations not simply as respondents to union demands but with their own agenda. They might negotiate for elimination of existing provisions and practices (such as those mentioned on page 151) which restrict efficiency, flexibility and merit-based personnel decisions. Another possibility is productivity bargaining, in which the union agrees to changes that enhance performance in return for a share of the savings.*

However, experience suggests that issues cannot always be peacefully resolved. In some instances, there may be truth in the view expressed by the SESA administrator described above: "You will only recapture lost ground if you are willing to take a strike. Then, you have to take the initiative, go to the press and arouse public support for your stand."

Of course, the decision to accept confrontation will be made by political officials above the SESA, usually the governor. But to have strategy set at this higher level may actually be to the advantage of the SESA. Politicians would be unlikely to accept a strike for the sake of the SESA alone, since the political costs of delaying UI payments would probably be unacceptable. However, bargaining is usually government-wide in unionized states. To politicians, therefore, union issues often appear to involve the efficiency, indeed the viability, of government as a whole. Some governors have shown themselves willing to confront unions over issues on this scale where, presumably, they would not for the SESA alone. In the state mentioned, in fact, fiscal conditions and public attitudes drove the governor to accept a strike. The state was the "winner" of the eventual settlement, to judge from our SESA respondents' and press accounts.

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*Usually, productivity improvements are negotiated by joint management-union committees. If changes are agreed on, management and the union divide the savings according to an agreed ratio. Union leaders do not oppose productivity bargaining in principle. Jerry Wurf, the head of the American Federation of State, County and Municipal Employees (AFSCME), has said, "We have no problem with increasing productivity in local and state government services, as long as the savings is proportionately shared with the workers involved and as long as the job rights of the employee are protected."

However, productivity bargaining has been attempted in only a handful of states and municipalities, and only some of these schemes have yielded savings. In some instances, management and labor were unable to agree on improvements. In others, the presence of productivity bargaining inhibited changes which management would otherwise have been able to make on its own authority.

STATE ATTITUDES

The above suggests that the attitudes of state officials and their electorates may largely define the bounds of what strategies are either necessary or possible in dealing with civil service and union constraints. In some states, especially in the South, Southwest and Central regions, civil service restraints were relatively few and public employee unionization seemed a distant prospect. Our field work suggested that this was due to widespread approval of supervisory authority over subordinates and a cautious stance towards trade unionism. These attitudes strengthen the hand of administrators and political leaders who seek to preserve or enhance efficiency in administration. However, sentiments may shift with increasing urbanization, industrialization and population growth.

In other areas, trade unionism and civil service traditions have been stronger, and managerial values have not been uppermost in public administration. However, some of these states may be more receptive than in the past to efforts to loosen administrative rigidities because of what has been termed the "new politics." Faced with stagnant economic growth, administrative inefficiency and continuing union pressures, the public in some states has moved to support politicians who insist on government performance and resist union demands, even at the expense of traditional civil service and trade union constituencies. One example is the state mentioned above, which chose to fight and win a strike.

Political support for initiatives to deal with the civil service and unions will differ, therefore, not only in strength but in kind. In some areas, greatest support may be found in the traditional work ethic, in others, in appeals to fiscal scarcity. SESA officials and political leaders must be sensitive to these differences as they devise their strategies.

FEDERAL ROLE

The Federal role, while limited, can be important. The basis for Federal authority in personnel matters is provisions of the Wagner-Peyser Act, the Administrative Procedures Act and other enactments that require objective non-discriminatory SESA personnel procedures.* Regulations based on these provisions have allowed DOL in the past to use, or threaten to use, judicial and financial sanctions to deal with instances of gross political patronage or racial discrimination in state agencies.

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*See 45 C.F.R. 70, "Standards for a Merit System of Personnel Administration;" 5 U.S.C. 551, "Administrative Procedures Act;" and 29 U.S.C., "Federal Employment Service."

The same, or amended, regulations and sanctions might now be used to respond to the subtler, but still serious constraints due to civil service and union rigidities. Essentially, regulations would be applied to require that personnel criteria be meritocratic not only in form but substance. Existing rules might have to be sharpened to require, for instance, certain explicit performance or other work-related standards in SESA hiring and promotions. There are precedents in HEW welfare programs.* Such regulations might be accompanied by guidelines suggesting to states the kind of personnel criteria which would satisfy the rules.

To apply such rules to SESA's would then require an implementation strategy involving political as well as legal and fiscal tactics. In the past, Federal managers of a Federal-state program have usually sought to influence state political processes only indirectly, by levying legal requirements on state agencies. The idea is to achieve Federal goals, not directly, but by strengthening the hand of state officials. Federal pressure enables state authorities to say that they have no choice but to oppose personnel procedures contrary to meritocratic norms, for fear of incurring Federal sanctions.** Our research, however, disclosed instances where Regional Offices entered more directly into state politics. Political judgment would be required in both Regional and National Offices.

Similar tactics may suffice to channel unionization in directions consistent with Federal goals. The Federal government is not a party to state-union negotiations. But DOL officials should assure that union agreements do not lead a SESA away from the standards which, by law, it has to satisfy as a Federal-state agency. DOL might have to oppose agreements, for example, that based personnel criteria too heavily on seniority at the expense of demonstrated performance. As with civil service issues, the Department should probably take its stand on legal requirements and minimize overt political opposition to state level decisions.

Third, DOL could provide support and technical assistance to help states improve personnel processes. Possibilities include:

- Design and validation of examinations for major SESA job classifications that are more job-related and performance-oriented than many existing tests are.

- Subsidization of SESA efforts to develop personnel evaluation techniques using performance-based criteria.

- Review of collective bargaining processes in SESA's that are now unionized so that strategies for dealing constructively with unionization can be further developed.

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*See Martha Derthick, The Influence of Federal Grants: Public Assistance in Massachusetts, Cambridge, Mass., Harvard University Press, 1970.

**Ibid.

- Analysis of methods used by SESA's which are successful, or unsuccessful, in getting state personnel agencies to cooperate in personnel reforms.

To some extent, Federal technical assistance would mean sharing among SESA's information about successful approaches to civil service and union constraints developed by other state agencies. To some extent, it would involve the generation and dissemination of new expertise by the Federal government itself. Both might be particularly meaningful in the context of intensive institutional development efforts such as described earlier in the chapter.

Lastly, DOL's advice on SESA personnel issues will be more credible if it sets a better example in its own practices. Some Federal personnel procedures can be criticized from the same viewpoints as SESA practices. Several SESA officials told us that recent changes in DOL's personnel processes had seriously undercut its credibility in this area.*

D. OBTAINING SESA COMPLIANCE

It is an article of faith among USES officials that Federal policy is widely ignored by the state agencies and that the USES has little means of obtaining compliance. There is some ground for this belief. The preceding chapters have documented the myriad ways in which forces within and around a state agency govern its response to Federal influences.

However, the belief is also a self-fulfilling prophecy. It causes the USES to be more passive and ineffective than necessary. In fact, there are a number of ways in which the USES can--and has--communicated its wishes to state agencies with effective impact (see pages 99-102).

The RAF and BPF are obvious examples. The fundamental message of the funding formulas--that the main task of the ES is job placements--has been heard loud and clear in the field. With only one partial exception, all our sample SESA's had assigned high priority to complying with that message. They were beginning to reallocate staff, move offices, gauge performance and assess their relations with employers, applicants and CETA prime sponsors with the placement objective centrally in mind. The use of this strong form of financial incentive to influence SESA priorities seemed highly effective.

Like other management problems, compliance is largely a question of cost. How much are USES and higher DOL officials willing to spend to get greater compliance on a particular issue? How much cost are they willing to incur--not just in dollars, but in political capital and interagency conflict?

Clearly the answer ought to be different for different questions. If the issue is unimportant or marginal, pieces of paper can be sent out as is done now in many cases. The cost is low and so is the expectation of compliance.

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*The episode most frequently cited was the Department's agreement with the bargaining agent for the National Office that only employees already in the Office would be considered for vacancies there below the GS-14 level.

If the matter is more important, more resources can be applied. One Regional Office was using its Manpower Training Institute as a mechanism for increasing SESA compliance with Federal objectives. Convinced that memos and program letters had little impact, they held meetings and workshops within the framework of the Institute. In these sessions Regional or National Officials explained new policy or procedures to managers and program specialists from the SESA's. The Federal officials sought first to persuade the state personnel of the validity of the underlying objectives. Then, working collectively with the SESA staff, Regional staff sought ways in which the overall National policy could be adapted to the particular conditions in each state.

Such a technique in many instances might not result in the precise implementation of the policy or procedure enunciated by the National Office. But it stands a greater chance of achieving the National Office's underlying objectives than simply sending out pieces of paper or making a telephone call. Obviously, however, this approach involves far heavier expenditures of both money and staff time.* If a particular issue is seen as important, it would probably be money well spent.

For issues of still higher priority, various forms of oversight and financial leverage may be employed. Different forms of reporting can be required and monitoring can be undertaken to assure that compliance is, in fact, taking place. Financial leveraging can begin with relatively mild "carrot-or-stick" strategies involving the selective withholding or dispensing of discretionary or "recaptured" funds by Regional Offices. On more critical matters--such as important statute or regulation violations--stronger sanctions involving threatened or actual cutoffs of "regular" funds may be appropriate (see pages 127-30 and Appendix II). The application of these kinds of leverage, however, involves rising political risks and costs.

Gross violations, such as outright misuse of funds or widespread patronage abuses could imply even more severe regulatory, civil and even criminal actions. In such cases Federal tactics might involve, simultaneously, the application of financial and judicial pressure, Federal-state negotiations, and exploitation of political contacts and public opinion (see page 128).

Finally, on issues of a fundamental and nationwide nature, the funding formula itself can be invoked. Different messages can be made clearer and implementation increased by significantly increasing the relevant formula weights or using different ones (a subject discussed further in the next section). The limitation is that a single funding formula can carry only a few "messages" effectively. Our interviews indicated that only the message, "Make placements," now came through clearly. This priority overlay more than half the BPF and RAF formula weights (see page 183). The smaller weights were largely ignored at the operational level. This suggests that, at best, only the two or three "heaviest" factors in a funding formula can convey policy messages with real force. If the USES wants to encourage other goals as well, they may have to be funded separately, through categorical grants.

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*As suggested by Chapter V, Regional Offices need different and heavier staff resources than most have today if this technique is to be fully effective.

E. CHANGING THE USES

All the recommendations mentioned so far in this chapter make presumptions about USES policy and capabilities. For example, the idea of strategies for institutional development in SESA's presumes that the USES possesses the capacity to provide this kind of assistance. The idea of Federal assistance focused on the metro office problem presupposes that Federal funding incentives motivate the states to make use of this assistance. The more technical areas of assistance, such as computerization and accountability systems, presume that the USES has competence in these areas and in the details of program operations. Sensitive institutional issues, such as reforming personnel systems or pressuring resistant sub-optimal agencies to change, raise the question of whether the USES has the political capacity to enforce its policy on state agencies.

This section sets out recommendations for changes in USES policy and capacity which are needed to support the other recommendations. Three broad areas are covered:

- Policy issues: possible changes in the RAF to give states more incentive to invest in metro operations, and the transfer to other agencies of enforcement functions that are contrary to the ES's main labor exchange mission.
- Internal development: the need to develop greater ES program and technical expertise in the National and Regional Offices.
- Political strategy: the need for effective National Office relations with Congress and other political actors.

POLICY ISSUES

There are two aspects of Federal policy for the ES which seriously impede SESA's moving toward optimizing performance. By changing these policies, the Department of Labor could improve the framework of basic incentives which, in part, determines whether SESA's are motivated to profit from Federal institutional development strategies and technical assistance.

FUNDING INCENTIVES

The present structure of the RAF gives states little incentive to improve the performance of metro offices. The formula gives a 60 percent weight to numbers of placements, only a 25 percent weight to the characteristics of the applicants placed, and 15 percent to the quality and duration of jobs. These incentives encourage SESA's to give primary attention to placing large numbers of applicants, not to finding jobs for applicants who are difficult to place. This in turn motivates SESA's to shift staff resources from central cities, where jobs and job-ready applicants are relatively scarce, to suburban settings where they are more plentiful and placements are easier.

This kind of response imposes costs even assuming a national policy emphasizing placement. Many SESA's have invested heavily in inner city operations from which they cannot withdraw without financial or political costs. And even if withdrawal were possible, it would not be desirable as long as the placement goal continues to include--though not necessarily to emphasize--the placement of the disadvantaged worker. For these reasons, the recommendations made above for the improvement of metro operations propose that offices be restructured and reorganized, not removed to more favorable environments.

Another problem is that the adjustments the RAF makes for state environments are not entirely appropriate. One of the RAF factors, the "Index of Placement Difficulty," determines 15 percent of a state's allocation by comparing its "adjusted" performance (the performance expected given its environment) to the average "adjusted" performance for all states. Thus, this factor gives additional funding to SESA's in unfavorable environments and less to those in favorable environments regardless of their performance. A more appropriate adjustment would compare a state's actual performance with its "adjusted" performance. If its actual performance exceeded its adjusted, then it would receive more money.

In order to motivate states to make greater investments in metro office improvements, the National Office should consider the following changes in RAF:

- A greater relative weight for the characteristics of applicants placed to encourage the placement of the less job-ready; and

- More precise adjustment of performance results to reflect the relative environments of states. While the present formula contains some adjustments of this nature, the relevant factors need to be studied and incorporated with more precision. (Research of this type is recommended in the next chapter.)

ENFORCEMENT FUNCTIONS

These functions include the work test which the ES applies to unemployment insurance claimants and welfare recipients,* and the affirmative action, labor registration and other regulations which it is supposed to enforce on employers.**

These responsibilities diminish the effectiveness of the ES's main placement activities for a number of reasons. Some of these tasks divert resources from placement because they are resource-intensive and no special funding is provided for them. They contribute to the maze of conflicting and changing requirements which USES directives convey to the states (a problem discussed in Chapter VI). Most of all, many are counter-productive because they tend to drive away from the ES the qualified applicants and employers it needs to succeed at the placement function. The work test often gives ES offices the image of catering only to the "unemployed" and the "welfare" poor. Other enforcement functions cause employers to question whether they can make use of ES services without inviting unwelcome enforcement of Federal labor regulations.

On a more practical level, ES staff usually find the enforcement functions ineffective and frustrating. The work test is exacting enough to impose burdens on the ES, but not exacting enough to bring it substantial benefits in terms of placements. That is, the work test requires the ES to register large numbers of UI claimants and welfare recipients. But since the work test does not, in practice, force registrants to take jobs, registration rarely leads to placements for the ES. The definitions of what kind of work a registrant must accept are lenient, and enforcement procedures are inadequate to identify many of the registrants refusing to seek or accept work. ES staff say the work test yields too few placements to be "profitable" under the RAF, although there is no firm evidence to prove this. In addition, ES personnel are often too preoccupied with other duties to perform the work test effectively.

The enforcement functions directed at employers are impractical for the employment service, quite aside from the disincentives they impose on employers' use of the ES. The functions assume that the ES can operate as a regulatory field office structure for DOL, when in fact the organization serves only part of the labor market and has limited sanctions (primarily the denial of services) to enforce the requirements.

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*Technically, the unemployment insurance work test is enforced by the UI side of the SESA, but in practice the ES is the main placement agent to which UI registrants turn to fulfill the work test. The ES itself registers recipients of Federal-state welfare, WIN, food stamps, and in some cases state welfare (general assistance).

**See U.S. Department of Labor, Manpower Administration, Training and Employment Service Program Letter No. 2869, "Federal Legislation, Executive Orders, and Cooperative Arrangements Affecting the United States Employment Service, Manpower Administration and Affiliated State Agencies," April 29, 1974.

DOL should consider the following reforms in the nature or administration of the work test:

- Consolidation of the work test requirements of the different income maintenance programs, so that enforcement is less complicated. This would require the cooperation of the different income programs but may come about readily if a major welfare reform should occur.

- Separate funding for the work test function or the insertion of a work test factor in the RAF.

- Better enforcement procedures, for example the use of ADS and JSMS to identify UI claimants who may be refusing job offers and the increased use of random hearings, interviews and audits to check on compliance by registrants. The IRS's enforcement methods for income tax laws might provide a partial model.

- Possible consolidation of work test administration within special units of the SESA to handle the work test for all the programs. The special units would likely require access to ES placement services and/or Job Bank data.

These changes would make the work test manageable for the ES either by simplifying administration or by making the task more profitable for the organization in terms of funding or placements.

The enforcement functions bearing on employers are probably more harmful than the work test, since they tend to drive away the ES's major source of jobs--private employers. The objective should be to shift such functions to other agencies which have more compatible missions. Many of these responsibilities were given to the ES before such agencies as the Employment Standards Administration, OSHA, and EEO were created or expanded to their present form. An effort to identify which enforcement tasks might feasibly be transferred was begun within the USES in 1976. That effort should be taken up again and pressed to a resolution. (The politics of obtaining relief from enforcement burdens is discussed on page 167).

The one enforcement responsibility that might enhance ES standing with employers has to do with affirmative action (AA). Some employers and ES staff suggested to us that the ES could provide affirmative action assistance to employers that requested it (even those not under formal AA requirement) and thereby help market ES services. The ES would refer to employers applicants of the sex or ethnic background needed for a balanced workforce. However, legal questions involving the Civil Rights Act of 1964 and conflicting court decisions have left in doubt whether the ES can legally do this. We found that SESA's were in confusion over what was permitted and required of them in this area. DOL should seek clarification and resolution of the issue. A clear directive would be helpful, even if the final determination would rest with a test of the directive in court.

A reform of the work test and the transfer of at least the more onerous employer enforcement duties would free the ES to concentrate on its central labor exchange mission and would probably lead to improved placement productivity.

INTERNAL DEVELOPMENT

Earlier chapters have described the limited ES expertise and field experience of both the National and Regional Offices. If the whole employment service system is to work more effectively both problems must be addressed. However, it is unrealistic to expect to rebuild high quality capabilities in all eleven Offices at once. Therefore, we suggest adoption of a long-term strategy of rebuilding from the National Office outward to the Regions.

At the outset, the Regional Offices would remain primarily auditors, monitors and conduits of requests and information. However, the eventual goal would be to have an ES cadre in each Region with experience and expertise not only in program issues but even in technical fields like computerization.

How far the developmental process can go, and how fast, depends on practical considerations--success in recruiting and retaining new high quality staff, USES budget levels, and the attention higher officials in ETA and DOL are able to pay to the employment service, given their other priorities and responsibilities.

NATIONAL OFFICE

In the meantime, revitalization of the center--the National Office--is the first priority. As mentioned on page 130, a capability must be created to assist SESA institutional development. Capabilities in the three operational areas where SESA's particularly need Federal help--local operational problems, computerization and accountability systems, and employer relations--must be developed. Direct personal knowledge of field conditions must be improved, and the limited experience of current USES staff at the state and local level must be rectified.

We therefore urge that ETA adopt systematic methods for recruiting USES National Office staff from the state agencies. The National Office has been without new blood from the provinces for too long. In our field work we encountered many SESA staff with training and practical experience in the areas where National Office capabilities are thin. Obstacles to their recruitment such as transferability of accrued pension rights should be eliminated, if necessary, by Congressional action.

The USES also should engage in a far more extensive IPA exchange program with state agencies. In this way the National Office could bring individuals with the expertise it needs to Washington for a year or two and simultaneously expose members of its own staff to realities at the grass roots. Here, too, obstacles, such as loss of seniority or advancement opportunities and reluctance to make temporary moves, will have to be overcome. But sensible selection of candidates and administrative or legal ingenuity should permit this.

As with recruiting from the SESA's, the USES may well need active support at the Assistant Secretary level and from DOL legal and Congressional liaison staff to implement this proposal.

Other means of exposing National Office personnel to the field should also be considered. In addition to formal inspection visits, ways should be found for even top level USES officials to experience current conditions in local offices. Many private firms now insist that their top executives spend time actually working at the lowest levels of the company's operation. Similar experiences could enhance the understanding and improve the quality of decision-making among National Office executives and staff. It is not inconceivable that the USES Director should spend a day each month working in a nearby local office, perhaps in Maryland, Virginia or the District of Columbia. Members of his staff could spend a week each year working in SESA's farther afield.

In addition to more programmatic expertise and field experience, certain types of highly specialized skills are needed. Recruitment from outside the employment service system may be required. This seems particularly necessary in the case of the special institutional development team described on page 130.

REGIONAL OFFICES

For the time being Regional Office staff can be expected to play primarily monitoring and reporting roles and to provide assistance in interpretation of regulations and guidelines. However, as part of the gradual developmental process suggested earlier for Regional Offices, it is important that OPTS units be rebuilt in new form. Under MDTA the OPTS staff had categorical program responsibilities. They knew the rules of categorical programs but were not necessarily experts in the delivery of services.

Ideally, OPTS units in every Region should be staffed with employment and training experts who really know about ES operational issues, labor market information, job search assistance techniques, training the disadvantaged and other substantive topics. They should be a principal conduit for transmission of information about the results of pilot projects, experiments, research and evaluation done elsewhere. This is not now the case.* We also recommend that re-establishment of identifiable ES components within OPTS units be part of the process of Regional Office renovation.

Similarly, Manpower Training Institutes should be utilized to cultivate lateral communications among SESA's (as well as CETA prime sponsors). They can be a forum for joint problem-solving and could speed up dissemination of useful techniques among SESA's. Time and again, in our field work, we found officials in one state agency unaware of something developed in a neighboring state that would have been useful to them. As noted on page 159, MTI's can also serve as a more effective way of conveying important messages from Washington than memoranda and program letters.

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*See National Academy of Sciences, National Research Council, Assembly of Behavioral and Social Sciences, Knowledge and Policy in Manpower: A Study of the Manpower Research and Development Program in the Department of Labor, Washington, 1975, Chapter 16.

Finally, Regional Offices have to begin to develop some capability for helping not only with programmatic or technical matters but also with organizational problems and institutional development. Partly for this reason, Federal Representatives and OPTS personnel should be involved with the special National Office team in institutional development efforts directed at SESA's in their Region. For the same reason, top leadership in Regional Offices should be made conversant with the successes and failures of the various leveraging, pressuring and rewarding strategies recommended in this chapter. In fact, their likely ability to carry off such strategies successfully could be one criterion for their selection in the first place.

Regional Offices should use essentially the same techniques as the National Office to acquire the capabilities they need. The Regions, too, should recruit from the state agencies for ES expertise. The most effective ("authoritative") Regional Office we visited had done that far more than any other. Temporary exchanges of personnel would help keep new blood from the states flowing through the Regions and give Regional staff an in-depth education in realities in the field.* This is especially important for Federal Representatives, many of whom never worked in a SESA. However, individuals with unique skills might have to be recruited from industry or academia. In a few cases, current Regional staff might also be selected for intensive training in these areas.

Regional staff developed in this way and having the technical expertise and experience just described would command the respect of state agency staffs. They would be able to provide the states with meaningful guidance or assistance across a broad range of programmatic, technological and organizational issues. To get to this point will take a long time, and unforeseen developments might in the end make some of what we suggest unattainable. For this reason, we have suggested revitalizing the National Office first and building outward toward the Regions.

The recommendations set forth in this chapter not only involve important internal changes in the USES. They also necessitate an effort to remold the USES's relationship to the political forces that surround and influence it. That effort is the subject of the last section of this chapter.

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*Two Regional Offices we visited were already drawing on SESA expertise to address technical problems in their Regions. One was using discretionary funds to support joint research by analysts from several SESA's on some common problems (see p. 104). Another had contracted with two SESA's for research relating to performance measurement and resource allocation.

POLITICAL STRATEGY FOR THE NATIONAL OFFICE

Chapter VI described the informal channels for political pressure which often have been used to alter USES policy and financial decisions in the interest of a particular state or group of states. Some such interactions may be salutary.

What must be altered, if the strategies suggested in this chapter are to be fully effective, is the passive or acquiescent posture that the USES has often assumed toward these channels. The USES must, instead, use them itself to achieve its own objectives. Its leaders must cultivate a new kind of relationship between themselves and their external constituencies--especially the Congress, higher levels of the Executive Branch and ICESA.*

Four fundamental organizational needs make this imperative. First, if the employment service system is to optimize performance of its central placement function, it needs relief from extraneous enforcement burdens which compromise its relations with employers and chew up significant staff resources.** Under a previous Administration USES officials had nearly obtained agreement within DOL for the transfer of several enforcement functions. However, with a change in top Departmental leadership, the effort foundered.

ES officials would again need to make a well-documented case that it would be efficient and organizationally appropriate to transfer these and other functions elsewhere. As in the past, agencies that would inherit these responsibilities are likely to resist unless they receive additional resources to discharge the tasks. The groundwork would have to be laid by cultivating understanding and support for change in DOL, OMB and the Congress. The current interest in reorganizing the bureaucracy and rationalizing government structure could be used to reinforce the case for such transfers. Lobbying efforts by the states through ICESA and EAC representatives could be organized to pursue a concurrent line. In this way the ES might obtain relief from some burdens and receive separate, earmarked funds to implement those which were unavoidable.

Second, elements of the institutional development strategy may require special action by the Congress. Although we foresee only minor additional costs, certain recommendations (such as improving National and Regional Office staff capabilities) could involve small funding increases. Other suggestions, such as interstate and Federal-state IPA-type transfers, may require modification of existing statutes. Some understanding of the underlying purposes would be necessary at the higher levels of DOL and among key Administration officials and Congressmen if such requests were to receive sympathetic consideration.

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*Several recent efforts to cultivate such links deserve mention. At the urging of USES leaders, the Department arranged oversight hearings on the employment service by the House of Representatives in the Summer of 1976. The intention had been joint hearings to examine the troubled relationship between the ES and CETA. However, in the end the Committee on Government Operations held hearings on the ES, while the Committee on Education and Labor held separate hearings on CETA.

The current USES Director has also sought to use ICESA more frequently as an informal channel for communication and a forum for consultation with SESA leaders on the resource allocation formula and other matters.

**Enforcement and other functions unrelated to placement are discussed more specifically on pp. 162-4).

Third, interventions by Congressmen and other politicians that protect SESA's from the consequences of mismanagement and poor performance must be deterred. It is natural for such officials to jump to the side of their state if it is threatened with a loss of funds. But our field work has uncovered instances where DOL officials have been able to deter such reactions by persuading Congressmen, Senators or governors of the validity of the Department's position.

Politicians are less likely to get deeply involved if they know beforehand that the case they will be espousing is a bad one and that the facts of that case will become publicly known. A USES Director who has established personal rapport with the Congress will have an advantage. A private briefing from him or higher level DOL officials beforehand may assure a Congressman's silence or temper his reaction. On occasion Congressional assistance might be secured to help quietly persuade SESA officials that they must address Federal concerns. In a few cases, a Congressman might even come to see some political advantage in openly advocating the cause of improved state agency management in the name of better service to his constituents. Chapter V described several instances in which Federal officials combined financial leverage, political persuasion and public outrage successfully (see pages 100-2).

ICESA and employer advisory committees can be utilized, too. Working through ICESA, National Office leaders could bring to bear both peer pressure and the personal advice of officials from other SESA's. As a network of local and state EAC's evolves, USES and other DOL officials could appeal to their self-interest to assert pressure within their states for needed change. As key clients of the ES with well-developed state level political connections, employer groups could be turned into potent allies of organizational reform.

The USES Director is the central figure in this broad strategy. It requires of him a high level of commitment, entrepreneurial skill and political courage.

Beyond that, the concurrence and support of officials at higher levels in DOL will be critical. They must be willing to countenance the unorthodox methods and invest the time and political capital that are involved. Many initiatives described here imply action by other parts of ETA, the Regional Offices or even other branches of DOL. The cooperation of the Office of Field Operations would be essential. The approval and perhaps the intercession of the Assistant Secretary for ETA will be necessary. If enforcement tasks are to be transferred, decisions must be made by the Secretary or Under Secretary. Their assistance may well be needed when Congressional action must be obtained. On occasion, their personal intervention may be crucial if Congressmen or other political officials are to be deterred from interference with leveraging strategies aimed at SESA reform.

Administration priorities appear to stress initiatives in employment-related areas. New departures--to reform welfare, lower unemployment, create more public service jobs or guarantee jobs to all who want to work--are likely to involve the ES in some way. Under the circumstances, high level attention to the problems of the employment service seems warranted.

VIII. FUTURE RESEARCH

SUMMARY

A number of research projects should be done to support recommendations made earlier and address important operational questions.

A project to develop quantified measures of institutional variables is important to support the institutional development strategies of Chapter VII. The indicators would measure the formal structure of SESA's, their informal structure and the key organizational variables at the service delivery level. The indicators would both quantify these parameters and determine their effects on productivity--information basic to institutional development efforts.

An experiment in institutional development should be carried out along lines described in Chapter VII. Two receptive SESA's would participate as the experimental sites. Two optimizing SESA's would serve as controls. The project would have three phases:

- *Analysis of the agency by a National Office team of researchers and institutional development specialists using the system of indicators described above.*
- *Implementation of reforms derived from the analysis--a step critically dependent on the commitment of top SESA leadership to change.*
- *Evaluation of the effects of the experiment on SESA performance.*

Additional research is needed on other institutional questions raised by this report:

- *Administrative cost analysis: does overhead staffing vary inversely with SESA performance nationwide as data from our sample suggests, and, if so, what actions should be taken?*
- *Productivity and staff characteristics: how do different kinds of staff and management style relate to productivity?*
- *Civil service and union constraints: what strategies can be developed to help states ameliorate these problems?*
- *Metro operations and the JSMS: why does dispersal of metro personnel into smaller offices help productivity, and how can JSMS be used to facilitate this strategy?*

- *ES role in local CETA programs: what are the different costs and benefits of CETA work to an ES office, and can findings about them guide offices in deciding whether to seek CETA contracts?*

- *Accountability systems: what environmental factors besides those now in the RAF affect productivity, how can such factors be used to estimate the placement potential of an office, and how can accountability systems for within-state use be further developed?*

Implementation estimates to forecast effects on the ES should be done before major alterations in the employment service system are considered. These changes could be due either to certain operational recommendations made in this report, major welfare or public employment reforms, or major structural transformation such as Federalization of the ES or the conversion of all manpower programs to a revenue sharing system.

In Chapter VII we outlined a role for the USES in improving the institutional capabilities of state agencies. However, as we pointed out, some developmental research should precede any widespread implementation of these recommendations. We suggested two research projects which would give more precision to measures of organizational characteristics and would operationalize an institutional development strategy. This chapter expands on that discussion. It also recommends additional research aimed at improving the organizational structures, field operations and accountability systems of SESA's.

A. MEASUREMENT OF INSTITUTIONAL VARIABLES

This research project would develop a system for quantifying those institutional variables which appear to significantly affect SESA performance. This quantification system would generate three sets of organizational indicators. One set would measure the formal organizational structure of a SESA--its spans of control, organizational distances, authority structure and degree of specialization. Methods are available for observing and measuring these factors with considerable precision.

A second set would consist of indicators of the informal organizational structures, communication patterns, organizational style and adaptiveness to change prevailing in a SESA. These indicators are more difficult to construct, but some academic efforts of this kind suggest it is feasible. Much of the data would have to be acquired through carefully constructed questionnaires supported by interviews at all operational levels.

A third set of indicators would concentrate on the variables at work at the service delivery level. These could include staff attitudes and expertise, discretion given unit members, unit specialization, interdependence among units, standardization of procedures, task variability and task difficulty. Aggregation of unit data would also provide additional information on the overall organizational character of a SESA. Methods for this research have already been applied experimentally (see page 25).

The indicators would permit organizational characteristics to be described and connections drawn to performance with more precision and rigor than is possible now. Confidence levels could be assigned to the description given a particular agency depending on the number of observations and the variance. Inferences drawn between these parameters and placement performance could also be tested. High and low performance would probably correlate with much the same organizational features discussed in Chapter II. However, quantification would allow the connections to be analyzed statistically.

Once verified through the research described below, the indicators could be used for more operational purposes. Federal officials could use them to diagnose the problems of individual SESA's, identify techniques to bring about change, and prescribe the needed assistance to the agency. Next, the indicators could monitor the extent of organizational change and associated changes in performance brought about by the institutional development efforts. With experience, the links between planned organizational change and improvements in productivity would become better understood and more manipulable.*

The quantification system could adopt or modify existing methods. A thorough review of available methods would therefore have to precede any field work or developmental efforts. A concurrent task would be to conceptualize appropriate indicators. Key concepts in describing ES organizational behavior such as "delegation" or "communication" must be carefully and consistently defined. They must capture the meanings which emerged from our analysis.

After conceptual clarification and adaption of a quantification method, data must be collected in several SESA's for development of organizational indicators. Some data, mostly relating to structural characteristics, will be available from agency records. These would be verified through interviews with SESA administrators and staff. The remainder of the data, dealing with informal structure and behavioral factors, must be primarily collected through questionnaire surveys and structured interviews. The research task is to get beyond impressionistic interviewing methods which cannot be exactly replicated to survey instruments which can be used in a variety of field settings to produce comparable and reliable responses. The standard problems of achieving validity and reliability from survey instruments will exist.

Survey questionnaires used in SESA's would go beyond internal institutional parameters. Questions would seek to identify the pattern of ES linkages with outside interest groups and agencies, including the nature and intensity of local and state political influences on SESA's.

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*The major analytic problem in specifying these relationships would be to control for variation in non-institutional influences on performance, particularly economic conditions. To compare agency performance over time, a measure must be used which adjusts for changing economic conditions. One possibility would be comparisons at intervals between actual and adjusted performance according to the RAF. Then changes in performance over time not due to economic factors could be assumed to be due to programmatic factors, including the planned and measured organizational change.

This research should be conducted by experts in organizational behavior and psychometric survey techniques. Ideally, four agencies would be chosen for field work and survey instrument testing. They would be agencies from each of the categories in our fourfold typology. Thus, differences between optimizing and sub-optimal agencies in both favorable and unfavorable environments could be measured and compared statistically across a range of organizational characteristics.

The result of this project would be indicators that reliably measure ES institutional characteristics and their contribution to productivity. These indicators would make it possible to describe the more optimal patterns for local office operations. Within each SESA the local office and staff traits that differentiated high and low performance operations could be identified.* If these traits were similar for high productivity offices across all four SESA's, they would provide the USES with profiles of optimal local offices. A number of profiles could evolve for different operational settings and staff characteristics.

The methods and indicators derived from this project could be used by Regional Offices in preparing organization and management (O & M) reports. Indicators for which data was more easily acquired, such as those measuring formal organizational structures, could provide Federal officials with quick institutional profiles on SESA's. They could be used to make preliminary diagnoses of problems in sub-optimal agencies. They might also identify problems in an optimizing agency whose productivity had been decreasing. Corrective action could be taken before performance fell to sub-optimal levels.

B. EXPERIMENT IN INSTITUTIONAL DEVELOPMENT

This research project was described in some detail in Chapter VII. Our prescriptions for receptive sub-optimal SESA's focused centrally on the institutional development strategies this project involves.

We use the term "experiment" here in the most general sense, to mean a field test of different strategies for intervention. The complexity and dynamic nature of SESA's as functioning public agencies makes the application of more classical experimentation research designs infeasible. However, the kinds of developmental interventions described in Chapter VII should be given a carefully monitored and analyzed field test before they are widely employed.

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*An attempt must be made to identify and control for local labor market conditions that significantly affect local ES productivity. Offices might have to be categorized and analyzed by type of location, since optimizing metro operations may significantly differ from optimizers in nonurban settings.

We envision this pilot experiment proceeding in phases. The first phase would include the quantification of organizational variables using the indicators just discussed. Assembly of the special National Office team (see page 130) should probably begin at this point, and the team members should be involved with the outside researchers in the development of the quantification system. Their familiarity with the methods and indicators would prove beneficial during later phases.

Two receptive sub-optimal SESA's would be selected for the institutional change experiment. Their leadership must have expressed serious interest in the experiment and a belief that it could have a favorable impact on their organization. During the first phase of the experiment, their agencies would be matched with optimizing SESA's from the same Region so that organizational differences could be compared.*

The National Office team would work in close cooperation with the researchers.** Together they would carry out intensive analysis of the matched SESA's similar to the process followed in this study. They would also evaluate the current capabilities of the Regional Office to provide technical assistance. Similar "expertise inventories" would be made in the two matched SESA's. The possibility of the optimizing agency releasing selected staff for temporary duty in the sub-optimal SESA should be explored during this phase.

After development of the quantification system, data would be collected, largely through questionnaires to be completed by staff in local offices and some units of the central offices in both optimizing and sub-optimal SESA's. Analysis of the results would lead to decisions about the prescriptive steps to be taken in the two sub-optimal SESA's. In each SESA top management and key staff should play a review and comment role on the findings of the National Office team.

The second phase of the project would be the implementation of specific institutional development strategies. The major possibilities are discussed at some length in Chapter VII. Some fiscal incentives might be offered to a participating SESA to help defray the costs associated with particular prescriptions. Continuation of the effort, as well as changes in the mix of strategies, should be periodically assessed by the National Office team and the consultants. The decision to persist should hinge on the continuing personal commitment and effective involvement of the SESA leadership as well as evidence of improvement in organizational characteristics.

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*It would be ideal to follow the same selection criteria as in the quantification project. A SESA could be selected from each of our four types. This would result in a sub-optimal and optimizing agency from both favorable and unfavorable environments. Every effort should be made in selecting agencies to minimize differences in economic and social environment between each pair of optimizing and sub-optimal SESA's.

**As stated in Chapter VII, Regional Office staff would also work with the team. These would be the Federal Representative for the sub-optimal SESA's targeted for institutional change and an OPTS member with O & M responsibilities.

Phase II would be dependent on the receptiveness of SESA leadership to institutional change strategies. They must find the team's diagnosis and prescriptions credible and acceptable. The commitment of top management is essential. If that commitment is absent, efforts in their SESA should be terminated after the first phase.

We expect that it will take several years to carry institutional change strategies to the point where the SESA had internalized developmental attitudes and processes and needed no further assistance from the National Office team. Outside consultants should play less and less of a role as Phase II progresses, with team members, Regional staff and the SESA itself taking increasing responsibility.

The third and final phase of the experiment would be the evaluation of effects on SESA performance. Short-term impact on productivity might well be negligible. Productivity improvements are likely to take several years to materialize. At that point analysis might permit estimation of the net productivity effect of overall institutional change. But even then, precise measurement of the proportion of performance improvement caused by each component of the overall strategy would be unlikely. Conclusions about particular changes would probably have to be based on qualitative data collected through interviewing and perhaps participant-observer techniques. SESA management and team members could observe which changes in formal or informal structure, management style, delivery system configurations and staff capabilities appeared most responsible for shifts in productivity. At that point senior officials in DOL would have to decide whether applying institutional development techniques in other sub-optimal SESA's would be useful or feasible.

C. OTHER RESEARCH

Our remaining suggestions fall into three general categories, research seeking to improve (1) organizational efficiency and effectiveness, (2) local office operations, and (3) accountability systems. Some of these projects could be integrated into the two just described, while others should be conducted separately.

ADDITIONAL ORGANIZATIONAL RESEARCH

Four types of projects are proposed here. These deal with (1) the proportion of SESA staff that are in "overhead" positions, (2) the effect of staff characteristics on productivity, (3) the impact of civil service system and unionization on SESA's, and (4) the feasibility of implementing changes in the USES responsibilities or structure.

ADMINISTRATIVE COST ANALYSIS

Evidence presented in Chapter II suggests that optimizing SESA's have a lower proportion of their staff in "overhead" positions than sub-optimizers. It would be important to the efficiency of the overall employment service system to know if this pattern holds true nationwide.

The USES should therefore conduct a careful review of SESA staffing patterns using Cost Accounting System Report 97 and appropriate definitions of "overhead" staff. This analysis would determine the proportion of SESA staff working in support or administrative positions. Comparison of overhead ratios within Regions and nationally might indicate disproportionate concentrations of staff in central or district offices in sub-optimal agencies. If so, Federal Representatives and other USES officials could work with SESA leaders on strategies for reducing overhead personnel and raising the proportion of staff in service delivery activities.

PRODUCTIVITY AND STAFF CHARACTERISTICS

In Chapter II we suggested that local offices with different staff characteristics might thrive under different managerial styles (see page 24). ETA might consider using industrial psychologists to conduct a study of the appropriate managerial style and incentive structures for different types of SESA staff. The study should also evaluate the productivity impact of different staff characteristics. A SESA where most service deliverers are older, long-time employees might need a different managerial style and way of motivating workers than one with a relatively young work force. Optimizing productivity may involve changing incentive structures and supervisory direction to fit the prevailing character of the whole agency or particular offices.

CIVIL SERVICE AND UNION CONSTRAINTS

Research and development should be undertaken to help the USES and state agencies deal with civil service rigidities and public employee unionization, as suggested in Chapter VII.

A first step might be a survey of states to compile an inventory of existing civil service practices and union agreements as they bear on SESA's. At present, the USES and SESA's have very little information even about the _status quo_ in the states.

With this information as a reference, development should then be done on strategies for dealing with civil service and union constraints. Priorities include:

- Development of personnel evaluation and promotion procedures that are more job-related and performance-based.
- Labor relations strategies to help reconcile the need for organizational efficiency and flexibility with public service unionization.
- Legal strategies available to the National Office for requiring that SESA personnel practices be meritocratic.

FIELD OPERATIONS RESEARCH

Projects discussed in this section deal with two general areas of inquiry: (1) metro office configurations and the Job Service Matching

Systems' (JSMS) impact on local ES operations and (2) the appropriate and feasible ES linkage with local CETA programs.

METRO OPERATIONS AND THE JSMS

We found that SESA's which followed a strategy of dispersing staff to many small offices were more productive than those with a more traditonal approach to local office structure. This was true for metro as well as non-urban areas. Metro areas which had one or a few large ES offices appeared considerably less productive than those following a satellite or mini-office strategy.

A research project should be undertaken to isolate and analyze the impact of staff dispersal on placement productivity. Urban ES operations with different strategies could be evaluated, controlling for labor market and demographic differences. The research design should take into account the fact that some SESA's have used "free" PSE workers extensively to carry out dispersal strategies.

Metro areas studied should be those both with and without JSMS. Since most metro areas will eventually have some form of computerized job matching, the effect of JSMS implementation on staff dispersal should be analyzed. This evaluation could be linked to the continuing development of JSMS simulation models and the oversight responsibility of JSMS evaluation committees.

The most critical factor determining the success of JSMS implementation may be the comparability of key word coding within a common labor market. This may be especially true in multi-office metro areas. Also, as noted in Chapter II, the increased discretion required of staff under JSMS is not consistent with restrictive, hierarchical management found in many large, compartmentalized metro offices.

This project should therefore evaluate the long-term impact of different metro strategies on placement productivity, cost-effectiveness, length of transition to an automated system, and training and skill requirements. It should lead to proposals about optimal office size, supervisory roles, task structuring, unit location and client flows for different JSMS options in different metro settings.*

ES ROLE IN LOCAL CETA PROGRAMS

Our research has indicated that a dual strategy may be necessary for optimizing local ES linkages with prime sponsors, assuming continuation of current RAF fiscal incentives. Which strategy to apply largely depended on local environmental conditions (see Chapter IV).

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*There are four system options available under the JSMS: (1) batch applicant-oriented search of computerized Job Bank; (2) batch employer-oriented search of computerized applicant files; (3) real-time applicant-oriented search; and (4) real-time employer-oriented search.

This project should establish whether or not placement of CETA trainees (especially in "unfavorable" environments) is significantly more resource intensive than placement of "mainstream" job applicants. This information might be used to re-evaluate the budget weights assigned to placing disadvantaged applicants. If current RAF weights are to continue, the project could provide decision making rules for local or state managers. If unemployment, new hire, demographic and other data fit a certain profile, then local managers would seek CETA funding of trainee placement activity. If this data indicated a "favorable" environment for placing CETA trainees, then local managers could provide these services for prime sponsors under Wagner-Peyser funding.

The placement productivity contributed by PSE workers in SESA's should also be identified. A tracking system could be set up which would monitor individual productivity reports on PSE workers.* That contribution to agency productivity could then be calculated. This could be compared to data on their training costs, length of service and transition into regular positions to determine the desirability of using PSE workers in local offices.

ACCOUNTABILITY SYSTEM RESEARCH

This project should proceed on a number of levels. First, additional research should be conducted on the external environmental factors affecting ES productivity at the state and local levels. This could improve equity in distributing resources among states under the RAF and would permit within-state allocations on a similar basis. The current RAF factors may not capture all of the significant variables affecting ES productivity. This opinion is widely held by SESA and USES analysts. It is consistent with our field observations and work on the selection criteria for our sample states. Availability of data at the local labor market level presents real problems. However, some estimate of external environmental factors influencing local ES productivity should be developed at least for metro SMSA areas.

Furthermore, the RAF currently compares a SESA's productivity to the productivity of all other SESA's. The consequence is the creation of a norm--national average productivity. But this average is not necessarily the most appropriate criterion, since it does not compare each SESA's performance to what it could _potentially_ achieve. A better system for evaluating performance and making allocations would compare a SESA's actual performance to its own "potential" in the labor market. For example, the number of placements made by an agency (or a district) could be compared to the number of job openings occurring within their area of operations which _could_ possibly have been filled by the ES.

Therefore, research on establishing an allocation and evaluation system based on actual versus potential performance should continue to receive high priority.* This research should be conducted within the Federal-state system. That is probably more cost-effective at this stage than contracting with outside researchers and also would permit the accumulation of expertise within the system. Projects could be funded in SESA's that have sophisticated analytic capabilities.

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*These individual activity reports are currently available by work station in SESA's with ADS or JSMS systems.

In addition to identifying the effects of external factors on productivity, this research could develop within-state evaluation and allocation systems. These could adapt the national allocation formula for within-state purposes, as mentioned in Chapter VII. Adjustments for external factors affecting local productivity may have to take a different form than currently found in the RAF. For example, offices could be grouped in categories according to economic and social environment, and the performance of each group compared separately. The National Office could evaluate the various systems that were developed and suggest to SESA's the best one for objectively assessing local office performance.

D. IMPLEMENTATION ESTIMATES

This report represents one kind of institutional analysis--an in-depth study of the institutional factors affecting a program already in operation. From this analysis have flowed the recommendations in the last chapter and the research proposals in this.

To implement these recommendations, however, raises different institutional questions. What will be the implementation problems? What will be the consequences for the ES as an institution? The focus shifts from an analysis of the past and present to a forecast of the future. For this question, a different form of institutional analysis is appropriate, namely "implementation estimates." Where the approach used in this report is based on intensive primary research on a program in operation, implementation estimates rely more on prior experience with similar innovations, past research, and analysis to project the institutional consequences of policies or programs not yet in operation. The outcome is a form of policy analysis designed to help the policy maker decide among options.

Forecasts of this kind should be done before major changes are undertaken in the employment service, including some of the recommendations made earlier. For example, the reforms proposed in the last chapter for dealing with the work test and other enforcement functions should be studied for their institutional impact before they are adopted and implemented. The National Office has already done some implementation analyses for shifting several enforcement functions to other agencies.

Implementation estimates should also be made of any welfare or public employment reforms that would affect the employment service. Such studies are vital if the USES is to be able to influence these policies at their formative stages.

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*Glenn A. Siebert and Phil Hardiman, "First Progress Report on the Employment Service Potential Project: June 1976," California Employment and Development Department.

Several contemplated welfare reforms would couple expanded eligibility and benefits with an expanded work test, requiring a greater proportion of eligibles to seek work. The consequences for the ES would be important and should be anticipated, assuming the ES continued to be the work test agency.

Major expansions or changes in public employment programs would almost certainly involve major changes for the institutions now administering manpower programs, primarily the ES, WIN and CETA. One major issue would be how the changes would affect the relative roles of the ES and CETA in public employment. A number of institutional configurations can be imagined, particularly if welfare and public employment reforms are interlocked. The consequences for the ES of each alternative should be studied in advance.

Another major policy issue is whether the basic administrative structure of the ES should be changed. A number of alternatives to the present structure have been proposed. Some would also affect the structure of other programs like CETA. The main options are:

- Federalization: ES organizations and personnel would be fully Federalized, separated from state control and made accountable to the National and Regional Offices alone.

- Increased state funding: states would be requried to contribute funding to ES operations, on the model of other Federal-state grant programs which are jointly funded.

- Special manpower revenue sharing: funds for the ES, UI, CETA, WIN and perhaps other programs would be folded into a single grant to states, which could then allocate the funds among the programs subject only to broad Federal restrictions.

- Local-based manpower revenue sharing: funds for Federal manpower programs (including the ES) would be merged, but the grant would be to local authorities--probably CETA prime sponsors--rather than state governments.

Speaking generally, the Federalization option would seek to improve ES performance by strengthening Federal managerial control and decreasing state and local ability to influence the program. The other options would, in varying ways and degrees, expand state and local influence over the program, probably at the expense of Federal control.

Both approaches have advantages and disadvantages from the ES viewpoint which should be considered now, before possible changes are actively contemplated at the higher levels of the Administration. In addition, there would be consequences for other manpower programs and, indeed, the entire structure of Federal-state relations. While the effects cannot be known precisely in advance, estimates can help USES leaders decide if reforms would be compatible with the ES's historical goals, capabilities and structures and give advice accordingly.

APPENDIX I.
METHODOLOGY

This appendix explains the definition of ES productivity used throughout this study, the selection criteria for SESA's visited, our field research and analytic techniques, and the derivation of the typology set forth in Chapter I.

A. ES PRODUCTIVITY

We had two major concerns in identifying a productivity measure for the ES program. First, we wanted a measure that was accepted throughout the employment service system as embodying the primary objective, function and output criteria of state employment services. In effect, we wanted to use as our own the definition of productivity that most USES and SESA administrators used. Second, we sought a productivity measure that was affected as little as possible by non-institutional variables. That measure should reflect institutional factors over which administrators and policy makers have some control. Thus, it should not measure the ultimate impact of ES services on clients (such as increased earnings or decreasing job vacancies). These types of impacts are greatly dependent on prevailing economic and labor market conditions that are beyond a SESA's control.

The ES productivity measure used in this study is the number of individuals placed per ES staff year (IP/SY). A measure of placement productivity was chosen because throughout the USES system the primary mission of the ES is now seen as "labor exchange" and, in particular, direct placement. To local office managers and service deliverers, "the name of the game is placement."

Individual placements were chosen because of the emphasis given them in ES resource allocation formulas. These formulas were heavily responsible for refocusing SESA's away from the provision of social and developmental services under HRD to more placement-oriented services required by the labor exchange function. Using allocation formulas to communicate policy changes is not unusual in public programs. Federal policy makers customarily use budget weights in allocation formulas to operationalize the relative emphasis lower level administrators are to give to different program goals.*

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*According to the FY 1977 RAF Guide, one of the reasons for developing an ES performance-based allocation formula was that "it reflects national policy and emphasis through the measures used and the weights assigned to them." Employment and Training Handbook No. 340, "Guide for Application of Resource Allocation Formula (RAF) for Fiscal Year 1977," Department of Labor, Employment and Training Administration, 1976, p. 4.

This was particularly true of the intent behind the Balanced Placement Formulas (BPF) for Fiscal Years 1975 and 1976. These were carefully reviewed during the research design phase of this study. The performance factor that received more "initial budget weight" than any other was individual placements per ES staff year. In both BPF's it received most of the budget weight in the "productivity quantitative" portion and was also the basis for calculating the "effectiveness" and "qualitative" factors. It was shown to be the performance factor most responsible for changes in allocations among SESA's.*

During our research design phase we also reviewed the preliminary work on the FY 1977 Resource Allocation Formula (RAF) being conducted by Westat, Inc. It, too, had heavy emphasis on individual placements per staff year. The final version of the FY 1977 RAF gave 40 percent of the total "initial budget weight" to this productivity measure and also utilized it in the 25 percent weight attached to the types of individuals placed. Analysis has shown that performance according to individuals placed per staff year closely parallels performance on other productivity factors in the formulas.** Thus, this single measure can be viewed as a general surrogate for those measures--placement transactions, placements of target group members and job market penetration (in the BPF only).

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*While the intent of the formulas was to give more relative weight to placement activity in general, analysis of the FY 1975 BPF indicated that inclusion of an unemployment rate adjustment had resulted in unexpected outcomes. It appears that the heavy weight and influence assigned to this external factor explained most of the variation in allocations from FY 1974 to FY 1975. This finding led to a change in the unemployment adjustment for the FY 1976 BPF. See E. F. Shelley and Company, Inc., Development of Performance Standards for ES, August 1975, volume II, pp. 18-20.

**According to the Shelley study for the FY 1976 BPF, "Of significant interest is that the rate of individual placements per man-year (IP/MY) is positively correlated with the percent of each target group placed and with penetration of the job market. In addition, the placement rate for each target group is positively correlated with the rate for every other group and with penetration of the job market. These findings indicate that the better performance states tend to do a better job according to most measures of performance." (Shelley and Company, volume II, p. 18.)

This research finding is consistent with SESA perceptions on meeting target group goals. Administrators and staff we interviewed felt that simply handling the flow of clients effectively and concentrating on placing as many of them as possible naturally led to the desired placement rates for target group job seekers.

Several further points must be made about the definition of ES productivity we used. First, we were very much aware of other functions and "outcomes" of the ES program.* We chose to focus on this particular measure because of its close linkage to other measures of program productivity and because it reflected the dominant organizational mission. Using a full range of possible performance measures in analyzing SESA's would have led us into the same dilemma described by many SESA administrators and staff: "We have so many priorities that we have no priority."

Second, during our state selection process we augmented the chosen productivity measure with FY 1976 BPF total and component scores. As expected, the comparative ranking of SESA's in BPF scores closely matched their ranking in individual placement productivity.

Third, this productivity measure was assumed to be affected by labor market and other external variables. Previous research on such effects was, therefore, used to modify our perceptions of SESA performance. Terms like "adjusted" and "expected" productivity, used in this study, will be explained in the sections of this appendix on state selection criteria and typology.

Lastly, in analyzing the performance of SESA's during our field work we did not restrict ourselves to just placement productivity data. We also examined performance in terms of intermediate objectives which established the institutional conditions in which the eventual outcome of placements was achieved. Some of these intermediate objectives were:

1) penetration of job openings and job seekers;

2) constituent support and credibility as a labor market intermediary;

3) competence of staff, appropriateness of staff assignments and efficiency of resource allocation;

4) efficiency of organizational structure;

5) clarity of mission; and

6) degree of coordination with other manpower programs (CETA, EDA, vocational education, etc.).

Knowledge of these conditions contributed to the recommendations set forth in Chapter VII.

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*During our study, research was funded to develop an overall productivity measure for the myriad of employment services provided by local offices. We monitored this research as it developed for any possible implications it might have had on our institutional analysis. See Analytic Systems, SESA Productivity Measurement System (prepared for DOL, ETA), September 1976; and Boeing Computer Services, Inc., The United States Employment Service: Measuring What It Is Worth (prepared for DOL, ETA), June 1976.

B. SESA SELECTION CRITERIA

As our Statement of Work specified, we were to select our sample SESA's "according to explicit criteria such as Region, labor market situation and position on a scale of effectiveness and innovativeness as judged by ES managers in Washington, D.C."

In accordance with that we:

- examined research on the ES and related manpower programs;
- reviewed relevant literature on organizational behavior and institutional analysis;
- conducted interviews with a number of current and past USES officials;
- consulted with personnel knowledgeable about the ES in several Regional Offices; and
- analyzed ESARS, BPF, BLS and Census data on states which might be included in our sample.

Based on all of this information we evolved the following process of selecting our sample.

CONTROLLING FOR NON-INSTITUTIONAL FACTORS

Our thinking was conditioned by our conviction that it was important for us to try to assess the impact of institutional characteristics and focus on them. This seemed essential if we were to go beyond description and offer prescriptions that were more than purely speculative. Yet we were well aware that there was general agreement among manpower experts that ES performance (as measured by productivity indicators such as individuals placed per staff year) was largely affected by labor market or other external factors.

These perceptions had been supported by three studies (E. F. Shelley and Company, the Center for Applied Manpower Research, and Dr. Fred Englander) which had used regression analysis to show that various external factors explained between 40 percent and 65 percent of the variance in performance between one state ES and another.* (For a summary of the most important variables, see Table I.)

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*This portion of the SESA selection process was accomplished prior to the release of the "Guide for Application of Resource Allocation Formula (RAF) for Fiscal Year 1977." However, we had some preliminary material developed by Westat that indicated coincidence or likely colinearity between their significant external variables and those of the previous studies.

TABLE I. MOST SIGNIFICANT VARIABLES IN THREE STUDIES ON ES PRODUCTIVITY (MEASURED BY INDIVIDUALS PLACED PER STAFF YEAR) AVAILABLE DURING SESA SELECTION PHASE OF THIS STUDY[1]

	CAMR	Shelley	Englander
% of labor force earning low wages	X	X	X
Unemployment rate	X		
UI claimants/total applicants		X	X
Rate of new hires in manufacturing	X		
Rate of growth in total employment		X	X
ES clientele demographics (% poor, youth, aged, handicapped)			X
Proportion of performance variation between states explained by significant variables (coefficient of determination--R^2)	.440	.567 ('74 data) .667 ('75 data)	.669

[1] The variables that explained close to 50% of the variation in productivity between the SESA's in the subsequent Westat analysis (RAF handbook) were (1) employment growth in a state (percent growth in non-agricultural wage and salary employment), (2) state average weekly earnings in UI-covered employment, and (3) state unemployment as percent of national unemployment ("Guide for Application of RAF for FY 1977," pp. 73-93).

It was hypothesized during the selection process that if we could build on these studies by controlling, informally at least, for the influential external variables, we would then be able to focus on the residual--the remaining 35 percent to 60 percent of variance. In theory, much of that residual should have been the variance in performance attributable to internal or institutional factors. For much the same reasons, we tried to pick our sample so as to control for other factors which ES managers generally believed adversely affected performance, such as degree of unionization and urbanization.*

The development of our selection criteria was not premised on strict comparability in the statistical sense. It was obvious that when we looked closely enough at any two apparently similar states, there were important differences that affect the way organizations existing in those states function. However, we believed that if we identified and separated out the most important non-institutional variables, our analysis of the institutional factors would be sharper and lead to more valid conclusions. From our Washington interviews and the three studies mentioned, eleven significant non-institutional variables were identified. They are listed in Table II.

TABLE II. NON-INSTITUTIONAL VARIABLES BELIEVED TO AFFECT ES PRODUCTIVITY

Variable	Hypothesis or Rationale
1. High unemployment	ES productivity is poor in a high unemployment setting. UI problems then overwhelm ES.
2. Small, rural states with few or no large cities	ES has better penetration and productivity in less urban states and in small-medium cities with fewer private agencies and less unionization.
3. Big, industrialized states with big cities	ES penetration and productivity are adversely affected by the big city setting with its many other hiring channels.
4. Low income levels	ES is significantly more productive in states with low wage rates.
5. Character of work force	ES works best for relatively low skilled workers.
6. Regulation of private employment agencies	ES gets better penetration and performs better where private agencies are more tightly controlled and therefore fewer.

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*These had been considered in the regression studies but had not been statistically significant explainers of productivity differences between SESA's. However, these variables had relatively high correlations with those which were significant explainers. Thus, the phenomena being measured by these variables were interdependent. High levels of unemployment coincided with high population density and urbanization. High average weekly earnings were associated with a high degree of unionization of the work force. High economic growth was negatively related to population density. In the Westat analysis, population density was identified as one of the major determinants of placement transactions per staff year.

TABLE II. NON-INSTITUTIONAL VARIABLES BELIEVED TO AFFECT ES PRODUCTIVITY--Continued

	Variable	Hypothesis or Rationale
7.	Unionization	ES penetration is adversely affected by union hiring.
8.	Southern	Social and cultural structure favorably affect ES performance.
9.	Northeastern	ES performs poorly where the economy and employment are growing slowly if at all and where goods-producing industries are in decline.
10.	Sun Belt	ES productivity is significantly better in states where new jobs are being created at a rapid rate and population is rising.
11.	Farm Belt	Plains states with their affluent farms, small cities and low unemployment are a favorable environment for the ES.

It became clear that these eleven variables could be condensed. First, after some consideration, "regulation of private employment agencies (PEA's)" was dropped. We were persuaded that it was probably unimportant. The slender literature on the PEA's (including the DOL-sponsored Castilow reports) generally confirmed that the private agencies were involved in less than 10 percent of the job matching that occurred nationally. Furthermore, the existence of large numbers of PEA's seemed primarily to be a function of the presence of major metropolitan areas. This variable could, therefore, be "folded into" others in Table II.

As for the other variables, it seemed clear that we could create a "cluster" of states that were similar in that they (1) had relatively high unemployment, (2) were highly unionized, (3) were heavily industrial and urbanized, (4) had high per-capita incomes and (5) were "northeastern" (for our purposes, the area from the Great Lakes to New England and down the Middle Atlantic Coast). It seemed possible to create a second cluster of states around the characteristics "small and rural," "Southern," "low salary," less unionized," and "less skilled work force." Next it seemed that the Farm Belt differed enough from the Northeast and South to justify a separate cluster. Finally, since rapid growth in employment was a labor market factor identified in one way or another by all three studies, it seemed desirable to create a fourth cluster of fast-growth, Sun Belt, Western states. By clustering states regionally we also obtained a sample with a reasonable degree of nationwide geographic coverage.

SELECTION WITHIN CLUSTERS

Having found a way to informally control for external factors, we then identified the functional aspects of state employment services upon which our research would, in fact, focus. These would be the basis for our selection of states within the four clusters (see Table III). Some of these items were suggested by ES managers we interviewed and by the literature on the ES. Others were suggested by our understanding of institutional analysis and organizational behavior. One important item--extremes of performance--grew out of our perception that a central question the study had to address was, "What institutional characteristics were associated with high and low performance?" As noted in the ES productivity section, we chose individual placements per staff year as our primary measure of performance, supplementing this with the FY 1976 BPF scores for SESA's.

TABLE III. WITHIN-CLUSTER SELECTION CRITERIA

1. Extremes of Performance:	Individual placements per staff year FY 1976 BPF scores and comparative ranking of SESA's Other Placement Productivity Measures
2. Organizational Structure:	Organizational "location" Pyramid shape Decision structure Communication structure Management control structure Office size and structure UI-ES separation
3. Organizational Culture:	Leadership quality, style and background Innovativeness Adaptiveness Responsiveness Introspection Morale Personnel (qualifications, background, training, salary and other incentives)
4. Resource differences:	Supplemental state funds Control of CETA funds or other Federal funds
5. HRD-Labor Exchange Orientation	
6. CETA-ES Relations	
7. USES-SESA Relations	
8. Employer Relations	

TABLE III. WITHIN-CLUSTER SELECTION CRITERIA--Continued

9. Relations with Other State or Local Referent Groups
10. UI Regulations and Benefits

The emphasis then was on selecting--within the bounds of each of the four clusters--for the greatest possible diversity on each of the ten criteria in Table III. This diversity had several purposes. First, it reinforced the study's validity by including as many major variations of structure, relationships and performance as possible. By doing this we hoped to avoid biasing our observations and, thus, our conclusions.

Second, it permitted us to address the prescriptive and future-oriented parts of our task. Thus, we selected SESA's (and later local ES operations) for study with an eye to possible future models of the ES. Therefore, different "umbrella" agency structures and UI-ES configurations interested us. So too did SESA's with on-line matching experiments, unique employer relations programs, different central office-local office linkages, innovative approaches to applicant service or special relationships to CETA.

The following sections expand upon some of the within-cluster selection criteria listed in Table III.

EXTREMES OF PERFORMANCE

This was the most important single element in our selection process since we were particularly interested in the institutional patterns associated with high performance. Our plan was to select ES's within each Regional cluster whose labor market conditions were generally similar, but whose productivity varied dramatically. Initially, we thought we would simply accept placement productivity or composite BPF scores as the measures of performance. However, our awareness of weaknesses in the BPF--plus the existence of the Shelley, CAMR and Englander studies--caused us to refine this approach further.

Each of those studies identified SESA's which performed better or worse than expected after their actual productivity (individual placements per staff year) was adjusted for the effect of external variables. Furthermore, there were twelve SESA's which all three studies agreed performed worse than expected (sub-optimal performers) and eleven SESA's which they all found to perform better than expected (optimizing performers). It was our intention to find an optimizing and sub-optimal agency for each of our four Regional clusters. Our field work would then more directly address the institutional factors affecting productivity. We would be able to ask: Why does State X have an optimizing ES, while its neighbor, State Y has sub-optimal ES performance? What are the characteristics of the ES in State X or the political and institutional environment in State X that permit it to perform better?

Using these criteria we were able to find optimizing and sub-optimal performers in three of the four clusters. For the Sun Belt cluster, however, we had to select two SESA's that appeared to be optimizing and match them with a SESA whose performance was judged differently by Shelley, CAMR, and Englander.*

Table IV presents the four Regional clusters and the ten SESA's initially selected for study. It also shows how each sample SESA was judged by the Shelley, CAMR and Englander analyses we used--whether they were optimizing their productivity (+) or were sub-optimal performers (-). The table also shows how the Westat variables characterize these SESA's. (The Westat study was not available until after our field work had been completed.) We conducted extensive research in nine of these ten SESA's and made a brief visit to the remaining one (the optimizing Northeastern SESA).

TABLE IV. REGIONAL CLUSTERS, SAMPLE SESA's AND PRODUCTIVITY RATINGS BY FOUR STUDIES1/

	Shelley	CAMR	Englander	Westat
Northeastern Cluster				
A	+	+	+	+
B	−	±	−	−
C	−	−	−	−
Farm Belt Cluster				
A	+	±	+	+
B	−	−	±	−
Sun Belt Cluster				
A	+	+	+	+
B	+	+	±	−
C	+	+	+	2/
Southern Cluster				
A	+	+	+	+
B	−	−	−	−

1/The productivity measure is individual placements per staff year. Productivity data were from different time periods since the studies were conducted in different years. The following symbols are used in the table:

+ = optimizing productivity
− = sub-optimal productivity
± = actual productivity approximates expected productivity.

2/See footnote on page 206.

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*As it turned out, analysis using the Westat variables is in almost total agreement with the three studies in which SESA's in our sample had optimizing or sub-optimal productivity. In the Sun Belt cluster, one of the supposed overachievers was actually a sub-optimal performer and the SESA judged differently in the three studies was likewise sub-optimal.

ORGANIZATIONAL STRUCTURE

As indicated in Table III, this criterion involved a number of elements, each of which could have had important implications for the internal dynamics of an ES.

ORGANIZATIONAL CULTURE

We had little prior knowledge of this criterion. Even in the Regional Offices, information on organizational culture was thin and unreliable.

RESOURCE DIFFERENCES

This was a potentially useful criterion for selecting states, since an ES's relative wealth or poverty was expected to fundamentally affect its organizational behavior. While Regional officials as well as state budget documents were helpful on this point, the presence of extra resources (as well as some extra burdens, such as dispensing public aid through ES offices) did not become apparent prior to actual field visits.

HUMAN RESOURCES DEVELOPMENT VS. LABOR EXCHANGE

ES officials were able to identify several states in which the HRD approach had tended to persist, at least in some local offices. The differences between conventional and HRD-oriented ES's proved to have implications for their productivity.

EMPLOYER RELATIONS

Given the general perception that employer relations and market penetration largely determine the effectiveness of an ES in placing clients, we wanted to include within our sample SESA's those which had reportedly made special efforts in this area.

RELATIONS WITH OTHER STATE OR LOCAL REFERENT GROUPS

Our list of possible interviewees for each state and locality we visited included officials or organizations in and outside of government with which the ES had potential contacts. In some states interviews with these "outsiders" gave us important perspectives on the SESA's organization, external linkages and level of productivity. In other cases such relationships were nearly non-existent or had little apparent effect on the organization or its performance.

UI REGULATIONS AND BENEFITS

Some National Office staff felt that UI regulations and benefits directly affected ES performance. For example, both the Shelley and Englander studies identified the proportion of UI claimants in the ES's clientele as a factor that significantly affected its performance. Therefore, we included states in our overall sample that had different mandatory and voluntary registration requirements for UI, food stamps and public aid. Similarly, we identified differences in eligibility rules and benefit levels as possible indicators of variation in state culture and attitudes toward work.

C. FIELD RESEARCH AND ANALYTIC METHODS

Our field research was conducted in two waves. The first, more intensive wave involved interviews and site visits in four states. The second wave took us to six additional states, though field work in one of these states was brief and limited in purpose. Interviews with Washington officials were conducted prior to, between and after these two waves of state visits.

FIRST WAVE FIELD WORK

In each of the first four states two researchers conducted the field work, which ranged in intensity from a staff month in the two largest states to two staff weeks in the smallest one. A total of 215 interviews were conducted during this first wave. Depending on the respondents' knowledge and responsibility, these interviews varied from one-half to three hours.

We also conducted approximately two staff days of interviewing in each of four Regional Offices, those having jurisdiction over the four ES's visited. Approximately 20 Regional Office personnel were interviewed.

In each of the four states approximately four staff days were spent interviewing at the state level. Sixty-eight interviews were conducted at the state level, both within and outside of the ES. In every case, these interviews included the politically-appointed official who presided over the SESA or its umbrella department, the SESA administrator and between eight and twelve of the state office ES staff. In all cases, interviews were conducted with the head of the governor's manpower staff or key assistants, CETA balance-of-state (BOS) officials, legislative staff, executive budget analysts, and officials of other state agencies (such as welfare, vocational education and economic development) that work with the ES. In addition, representatives of state trade union councils and Chambers of Commerce/manufacturers associations were interviewed when available.

Below the state level, staff from ten different district offices were interviewed. On the local level, we visited 22 local ES offices during the first wave. In most local offices we conducted interviews with the ES manager and with supervisory and line staff. We also usually interviewed local staff that had CETA and WIN responsibilities. In total, 44 local office personnel were interviewed during this portion of the field work.

Local offices visited varied greatly in size, location, appearance, clientele, structure and delivery systems. In fact, we consciously selected our sample in each state so as to obtain the greatest possible variety that time and logistics would permit. In all four states we interviewed staff in metro offices in the largest city. If the SESA classified offices by size or other category, we attempted to visit at least one office in each category. In each state we visited some very small offices, either in small towns or suburban shopping centers. We also visited one office that was a higher producer of placements and one that was a low producer in each state. We were also able to include in our sample one special "HRD" office and one doing computer job matching. In addition, since the four states delivered unemployment compensation and employment services differently, we were able to examine a variety of UI-ES configurations--from local offices where all the staff were involved in carrying out both functions, to others where the two operations were administered and located separately.

Furthermore, we met with individuals in nearly all of these communities who were outside the ES but had some relationship to it. These included CETA manpower directors, Chamber of Commerce officials, representatives of community-based organizations, other manpower service deliverers, welfare staff, and individual employers. Fifty such interviews were conducted.

In addition, our field work, especially in the Regional and state offices, convinced us that there were a number of questions about National Office policy and procedures about which we needed further information. Such information seemed vital to a balanced understanding of the Federal-state relationships and useful as a basis for comparison with perceptions received in the field. Thus, we conducted a series of interviews with ETA officials. Twenty-two interviews were conducted with current and past Washington officials.

The chief research method used throughout the field work was semi-structured interviews. We sought comparability as much as possible by developing standard questions for respondents in comparable positions. The questions varied according to who was being interviewed. Each question was coded to identify the categories of interviewees for which it was intended. Thus, we prepared a very extensive interview guide in the form of 52 coded index cards which, together, covered all the points on which we wanted to collect data. Table V contains an outline of the subjects covered. Table VI presents the lists of the categories of individuals who were interviewed. The results of the first wave interviews caused some categories of interviewees to be dropped during our second phase of field work (see note, page 199).

TABLE V. OUTLINE OF INTERVIEW CONTENT

A. Relations and Communications Between State Agencies, Regional Offices and National Office

   1. Receptivity of SESA to Federal Regulations and Directions
   2. Actual Divergence from Federal Direction
   3. Deployment of Regional Discretionary Funds
   4. SESA Circumvention of Regional Office
   5. ICESA Role in Federal-State Relationship
   6. SESA Use of Elected Officials for Influencing Federal Level

TABLE V. OUTLINE OF INTERVIEW CONTENT--Continued

B. SESA Organizational Characteristics

1. Profile of SESA Leadership and Staff (education, experience, etc.)
2. SESA Personnel Practices Affecting Productivity
3. Demographic Similarity of Office Staff with Clientele
4. Recent Organizational Changes
5. Role of Area/District Offices within SESA
6. Planning and Budget Processes/Evaluations
7. Effect of BPF Process and Allocations on SESA
8. Effect of ESARS and Other Data Systems on Operations and Management
9. Communication Links within SESA
10. District and Local Office Managers' Discretionary Powers

C. UI and ES Relationship within SESA

1. Administrative and Field Operation Structure
2. UI Effect on SESA Management and Elected Officials
3. ES Registration Policy for UI Claimants

D. Politics and the ES

1. Political Contacts Made with SESA Management
2. SESA Involvement in State/Local Politics

E. Perception of External Variables' Impact on SESA Operations and Performance

1. Administrative Impact of Increased Unemployment
2. Different Economic Conditions from One Labor Market to Another
3. Effect of Economic Conditions on Local Office Operations
4. Effect of Economic Conditions on Local Office Performance
5. Effect of Organizational Factors on Local Office Performance

F. Relationship Between SESA and Referent Groups

1. Attempts to Develop Constituency Group
2. Employer and Union Attitudes about Employer Services
3. Interaction of SESA with Education Agencies
4. Union Use of SESA Resources
5. SESA Relationship with PEA's
6. Existing Constituency Groups
7. Organizational Links of SESA with other State Departments (welfare, vocational education, EDA, etc.)
8. Referent Perceptions of SESA Capabilities
9. Referent Perceptions of SESA Productivity and Labor Market Impact
10. Referent Perceptions of SESA Mission

TABLE V. OUTLINE OF INTERVIEW CONTENT--Continued

G. CETA Impact on ES

1. Overall Effect of CETA on SESA Mission and Resources
2. Relationship between SESA and Prime Sponsors
3. Local Office Pursuit of CETA Contracts
4. Community Opinion of ES Effectiveness under MDTA and under CETA
5. Organizational Links Created by CETA

H. Present and Future Mission of ES

1. Current Perception of ES Mission
2. Strengths and Weaknesses of ES
3. Credibility of SESA as Labor Market Intermediary
4. Ability of SESA to Project Economic Conditions. Use in Policy and Operational Planning
5. SESA Involvement in EDA
6. Extent of Work Test/Registration Role
7. Transference of Responsibilities from SESA to Others
8. Future Operational, Organizational and Mission Models (Alternatives to Present)

TABLE VI. LIST OF POTENTIAL INTERVIEWEES

Region

Regional ETA Assistant Administrator
Regional ETA Federal Representative most knowledgeable on SESA
Regional ETA official responsible for state CETA operations
Other Regional staff (OPTS, MTI, research director, etc.)

State-Level

Governor's Key manpower person
Member of SMSC
CETA Administrator for BOS
Vocational Education's liaison with ES
Welfare's liaison with ES
Education's liaison with ES
State Personnel's liaison with ES
BOS Examiner
Legislative Staff member/Legislator
EDA's liaison with ES
Public Employee Union Representative
Director of Umbrella Agency
BES Director
ES Deputy
Senior Staff responsible for ES Program Areas (placement, counseling, etc.)
Senior Research Staff

TABLE VI. LIST OF POTENTIAL INTERVIEWEES--Continued

State-Level

Senior Staff responsible for Field Operations
Senior Staff responsible for CETA, Special Target Group Programs, WIN, etc.
In-state Academic Experts on ES (if identifiable)

Statewide Trade Union Representative knowledgeable about ES
State Chamber of Commerce Representative knowledgeable about ES
State Association of Prime Sponsors
State Association of OIC (Opportunities Industrialization Centers)
State Association of CAP Agencies

Area/District

District Office (DO) manager
DO assistant for ES operations
DO labor market analyst

Local

Local Office (LO) manager
LO ES supervisor
LO placement supervisor
LO WIN supervisor
LO ESR
LO Technical services supervisor (ESARS, POSARS)
LO Placement Interviewer or Employment Counselor
CETA training unit supervisor
Employer Advisory Council chairman/member, or Chamber of Commerce officials or employers
CETA prime sponsor manpower director
Manpower Planning Council member/staff
Local Vocational Education liaison to ES
Local Community Based Organization official
Local Welfare (WIN) liaison to ES
Local EDA liaison to ES
Local trade union official
Local elected official
Community college or high school liaison to ES

SECOND WAVE FIELD WORK

Six states were visited during this second phase. Interviews in one of these (the last SESA visited) were limited to topics on which administrators and staff were expected to make valuable and unique contributions. The amount of resources committed to field work in these states was somewhat less than those in first wave states, since the number of individuals to be interviewed had decreased.* Generally from eight to fifteen staff days were spent in each state.

During the second wave 156 interviews were conducted, 21 in three Regional Offices, 78 at the state-level, fifteen in eleven ES district offices, and 42 in eighteen local offices and within their communities. The same general plan used during the first wave was implemented again.

ADDITIONAL DATA

In addition to our interviews, we collected other information on the SESA's visited--organization charts, enabling legislation, annual reports, performance data and staff levels for all local offices, budgets showing state funding (if any), labor market information, and Regional Office or SESA studies that were pertinent to our areas of inquiry. Much of this was in hand prior to our visits, permitting some understanding of the agency and its environment before field work actually began. After field work was completed, follow-up calls and written inquiries were made to SESA's, Regional Offices and the National Office to clarify or verify various points.

A week of staff time was spent reading and analyzing National Office files of messages sent out to Regional Offices and SESA's over the past several years. This provided important background material on compliance issues and Federal-state communications generally.

Throughout this study we sought to integrate into our research design and analysis knowledge derived from other current and previous research on the employment service. Therefore, extensive literature search was done, and reports prepared by other researchers (some of which appear as footnotes to our text) was carefully reviewed.

ANALYTIC METHODS

In conducting this research we chose not to use a case study approach but sought instead to develop broader generalizations about the way the employment service system works.

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*We found that some state level interviewees typically had little contact with or knowledge of the state ES program. These included officials in the state education department (excluding vocational education), legislative staff, state trade union and business group officials. In most states visited we were unable to identify or contact academic experts on the ES. Similarly there were few state level associations for community based organizations in second wave states visited. At the local level, trade union, educational and elected officials were dropped from our interviews for much the same reasons as the state level respondents just mentioned. However, we continued to ask SESA officials and staff about their relationships to such individuals and organizations. If there was some reason to suspect that unique or extensive links existed, phone contacts were made and interviews conducted.

The first step of our analytic method was directly analogous to the process of quantitative data analysis known as cross-tabulation. The problem, however, was that rather than dealing with quantified data easily manipulable by computer, we had to work with hundreds of pages of interview notes--qualitative, verbal information. To deal with this problem we coded all our interview notes by various subjects and by type of respondent. This permitted us to manipulate and rearrange our data in different configurations, much as a cross-tab computer program would do with quantified information. Many potentially significant patterns of similarity and variation quickly appeared.

The next step was model-building--but not model-building in the quantitative sense. We did not express relationships and patterns in the form of equations. Rather we sought to develop conceptual models that would help us understand how state employment services worked internally, how they related to other institutions or groups and, ultimately, how these factors affected their productivity.

Our second progress report described and documented this model-building process. It presented our "component models" of SESA's organizational characteristics, political involvement, institutional linkages and relations to Regional Offices. The models were in various stages of development.*

In preparing this final report, the modeling process was completed. Wherever feasible, interview data was linked to analysis of quantitative administrative or operational data. The material presented in Chapter II through V were then synthesized from the modeling process. Many of the prescriptions set forth in Chapter VII also flowed naturally from our modeling techniques. However, in the final report priority was given to communicating our findings to the reader in the most readable and logical manner. Thus, there are few references in the text to models or model-building.

Our analytic methods and perspective draw heavily upon institutional analysis. Institutional analysis is a type of policy analysis using elements of economic, organization and political theory to analyze institutional constraints on program implementation and to propose possible reforms. It focuses on one aspect of program design: the institutional linkages between basic policy on the one hand and the final delivery of services to the recipients on the other. The techniques now used in policy analysis tend to concentrate on either the initial policy development or the impact of services on the recipients.

Economic analysis has been the major technique used to help formulate basic policy. This technique is commonly used to define eligibility and benefits for a program, design an incentive structure (usually financial in nature) to motivate lower-level institutions to carry out the program, and estimate the required funding. The analysis draws upon econometric studies of the causes behind social problems, microeconomic models of how to motivate recipients and provider institutions with financial incentives, and formulas to estimate the costs of serving given numbers of eligibles or recipients.

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*Erwin C. Hargrove, Mark L. Chadwin and John J. Mitchell, "Second Progress Report--Urban Institute Study of the Employment Service," The Urban Institute, July 2, 1976.

Evaluation techniques are commonly used to measure the effect of program services on recipients once they are delivered. Negative evaluation results have played an important role in the criticism of many recent social programs, whose chief purpose was to improve the abilities and circumstances of disadvantaged Americans. However, evaluators are often unable to say whether a program fails to show measurable results because it is faulty in conception or because it has not been carried out as planned. Attention is focused at the "impact" level, not on the administrative linkages that determine whether the service is ever delivered at all in the intended form.

The institutional linkages are the "missing link" in policy analysis as it is now practiced. Speaking broadly, the purpose of institutional analysis is to complement existing techniques by focusing more analytic attention on the institutional aspects of program design and operation.

Institutional analysis is methodologically compatible with economic and evaluation techniques. The elements of organization and political theory used to analyze institutions have premises quite close to those of economic theory. An essentially "economic man" view of basic motivation is adopted, as in economics. Institutions, like other economic actors, are presumed to maximize their utilities in a rational way. However, organizations are presumed to follow rational behavior less perfectly than economic actors of smaller size. They "satisfice"--adjust incrementally to meet new demands--rather than seek optimal solutions to every new problem. Also, the utilities they maximize are defined more broadly than usual in economic analysis, to include power, influence and psychic satisfactions as well as economic goods or interests.

Similarly, institutional analysis resembles evaluation research in its concern for program performance. But the perspective is somewhat different. Evaluation seeks to identify program results and ultimate outcome, in the sense of impact on recipients. Institutional analysis instead focuses on the organization's output, meaning simply its productivity, its delivery of services. The criterion of output, more than outcome, is independent of the economic and social environment surrounding a program and hence the fairest indicator of institutional performance.

Much of general interest could be learned by studying organizations' behavior without reference to output. And in fact a good deal of the academic writing on organizational behavior to date has done just that. But a key objective of this study has been to provide policy-oriented insights of use to ES administrators and ETA decision-makers. We feel that our approach, which seeks to link organizational characteristics to performance, while more intricate, is of greater potential usefulness than general description. The correlation of organizational characteristics with high and low productivity in the ES program permits the drawing of causal linkages and the development of recommendations, such as presented in Chapter VII. It is our understanding that program analysis applied to performance is what ES program administrators are most interested in.

The ES organizational characteristics that we studied were both internal and external in nature. Internally, we examined data on a SESA's formal and informal structure; the functions and linkages of its central, district and local offices; its communication and decision-making patterns; the background, style and attitudes of both leaders and staff; and their perception of their mission (which on occasion differed from that enunciated by law or Federal policy makers). The underlying question here was: which internal structures, patterns, attitudes and perceptions are associated with high and low placement productivity?

SESA's are also molded by external determinants. Even though programs such as the ES are "Federal" in funding and authority, they are delivered through state agencies. Thus, the state was the most useful unit of analysis. The institutional and political environments in which SESA's functioned varied greatly from one state to the next. These variations have importantly affected program structure, staff composition and managerial flexibility in SESA's visited as well as the emphasis given to their program components and service delivery methods.

Similarly, within a state, the "organizational location" of the ES was important. The sub-culture, priorities and "constituency" of the agency in which a particular program was housed had significant influences on its implementation. So, too, did the degree and type of interaction that agency had with other state bureaucracies and with partisan political officials. Thus a realistic understanding of how the ES program actually worked required greater sensitivity to the political and "social" environment surrounding the state agency that administered it.

Above and below the state level, similar questions had to be considered. Variations in the internal structure and dynamics of district offices and local service delivery sites were important. So were the external linkages of local offices--especially since the acceptance and cooperation of local government agencies, non-profit organizations and employers are important.

Influences from above also had to be examined. Federal authorities were another important part of the external environment in which the SESA existed. While the linkages between SESA's and Federal Regional and National Offices varied from one state to the next, there were discernible patterns. Through systematic analysis, causes for these patterns were identified. Both the patterns and the causes had implications for the type and degree of influence Federal authorities could exert on the SESA's responsible for their program.

The focus of our analysis was on variations in the characteristics of SESA's with different levels of productivity. While this study provided Federal managers with important pieces of "intelligence" on how SESA's actually worked, this was not the main objective of our effort. Our purpose was to identify the internal characteristics and environmental factors associated with high and low placement productivity and then to consider the policy implications of such findings.

D. DERIVATION OF TYPOLOGY

The four-fold typology presented in Chapter I cross-tabulates favorable and unfavorable economic environments with optimizing and sub-optimal SESA productivity. It grew out of our field research. We found SESA's operating in obviously different economic environments. While local economies usually varied within a state, one could generally characterize the overall economic condition of a state. Some state economies were on average more favorable to ES placement productivity than others.* Thus, in a general sense there were two types of economic environments in which SESA's operated--favorable and unfavorable ones.

Within each environmental category there were also SESA's that had high productivity and those that did not. Placement productivity was of course relative to their given environment. Thus, a good performer in a relatively stagnant economy had much lower placement productivity in absolute terms than a good performer in an expanding economy with low unemployment.

In analyzing our interview data we also found striking organizational differences between SESA's that performed well, given their economic environments, and those that did not. SESA's that were optimizing performers had similar organizational characteristics. To a lesser extent, sub-optimal performers also had similarities. Therefore, optimizing productivity became associated in our minds with a set of observed organizational characteristics. These could be considered optimizing organizational characteristics, and those associated with sub-optimal productivity, sub-optimal characteristics. All three concepts--economic environment, placement productivity and organizational behavior--and their coincidence appeared to be best depicted through the framework of the typology.

At first, the typology was derived as an abstract generalization which could assist us in identifying and describing SESA's without violating their confidentiality. It was easier to describe certain organizational characteristics, relationships and recommendations in the context of "optimizing SESA's in favorable environments" rather than speaking of "State A" and "State B" as in our preliminary reports. However, the typology also helped move the analysis to the generalization and hypothesis-building level. Eventually, it was also useful in evaluating the utility of various recommendations for different types of SESA's facing different environmental conditions.

The parameters for each of the four categories in the typology had to be defined quantitatively so that SESA's studied could be assigned to them. We needed a statistical basis for differentiating between favorable and unfavorable environments and between optimizing and sub-optimal productivity. These parameters were provided by the multiple regression analysis underlying the

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*The economic and labor market factors that appeared most responsible for making an environment more or less favorable to the ES placement mission and thus its productivity have been discussed in our SESA selection criteria section.

"indices of placement difficulty" in the FY 1977 RAF.* This analysis identified the external factors that best explained the productivity differences between SESA's and was based on performance data for a period coincident with part of our field work. It found that about 50 percent of the variation in individual placements per staff year (IP/SY) between SESA's was explained by the states' employment growth, average weekly earnings in UI-covered employment and unemployment as a percent of national unemployment.

Using the regression equation provided by this analysis, we could statistically define which of our sample SESA's had optimizing performance and which had sub-optimal performance. Inputting data for the three significant variables for each of the SESA's gave us their "adjusted" or "expected" productivity. This meant that, taking these external factors into consideration, we would expect a state to be performing at a certain productivity (IP/SY) level.** If their actual productivity (drawn from ESARS data) was above this expected productivity, they were doing better than would be expected in their economic environment. We termed such productivity "optimizing." On the other hand, if a SESA's observed productivity was below its expected productivity, this agency's performance was described as "sub-optimal." Performance above or below the expected level was assumed to be due to reasons other than economic factors. It seemed reasonable to assume that optimizing performance was due to appropriate and effective organizational behavior. The converse was likely for sub-optimal performers.

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*The analysis conducted by Westat for the FY 1977 RAF resulted in the following regression equation for the dependent variable individual placements per staff year (IP/SY).

$$V_1 = 359.8 - 3.4074\ V_{16} - 1.0080\ V_{12} + 4.377\ V_7$$

(2.36)	(.228)	(1.30)	Standard errors
(-1.44)	(-4.42)	(3.37)	t values

where: V_1 = IP/SY

V_{16} = state unemployment as a percent of U.S. total, CY 1975

V_{12} = average weekly earnings in UI covered employment, CY 1974

V_7 = percent change in nonagricultural employment, CY 1974 to CY 1975

Coefficient of Determination (R^2) = 0.47

Standard Error of Estimate for V_1 = 31.0

For additional information on this analysis see "Guide for Application of Resource Allocation Formula (RAF) for Fiscal Year 1977," pp. 73-93.

**This particular method of estimating performance has a number of limitations. In classifying SESA's, according to "expected" productivity, we assume that the parameters of the estimating equation are estimated precisely and that they explain all of the observed variation in productivity. In fact, neither assumption is true. Measurement errors in variables—in particular IP/SY, arising from inaccuracies in placement data and a staff time accounting--and omission of other variables that are significant determinants of IP/SY mean that there should be a confidence interval placed around the estimated productivity. Thus, statistical purists would prefer to describe a range within which "expected" productivity could be expected to fall.

The terms "optimizing" and "sub-optimal" are used throughout this report to describe "high and "low" performance respectively. These terms capture the meaning we wanted to give to good or poor organizational performance. That is, given an agency's economic environment and therefore the constraints on its productivity how well did that agency allocate or manage its resources to meet its mission and maximize its productivity?

In technical, economic terms, "optimality" is concerned with the way an organization combines its resources to achieve a desired level of output. Thus, if an organization such as a SESA has only a fixed amount to spend on production, it only operates efficiently if it maximizes the output attainable. To do this it must select the combination of inputs that results in the greatest level of output. Thus, SESA's that exceed the productivity levels which one would expect in their economic environments are approaching an efficient or optimal allocation of resources.

One cannot say that it is an "optimal" producer, but one can say that it is trying to attain an optimal output level. It is therefore "optimizing" its productivity. Conversely, agencies that have lower levels of productivity than would be expected given their environments are not allocating or managing their resources efficiently. They have "sub-optimal" allocations of resources and "sub-optimal" productivity levels.

The data in Table VII were used to categorize SESA's studied as either optimizing or sub-optimal performers. While there are problems with some of these data, three other studies (Shelley, CAMR and Englander) had very similar

TABLE VII. DETERMINATION OF OPTIMIZING AND SUB-OPTIMAL PERFORMANCE

SESA	(1) Observed Productivity (IP/SY)	(2) Expected Productivity (IP/SY)	(3) % Optimizing (+) or Sub-optimal (-) $\frac{\text{Col. 1 - Col. 2}}{\text{Col. 2}}$
A	261.3	204.4	+27.8%
B	164.6	130.1	+26.5
C	223.5	191.4	+16.8
D[1]	189.5	195.1	- 2.9
E[1]	136.7	147.5	- 7.3
F[1]	162.6	189.1	-14.0
G[1]	144.5	170.8	-15.4
H	92.0	132.9	-32.3
I[1]	194.6	174.4	+11.6[2]

1/Difference between observed and expected productivity is less than the standard error of the estimate (31.0) for IP/SY.

2/Differences in accounting procedures between this and other states appear to have biased its observed productivity upward. However, performance data from past years showed this agency to have slipped badly in productivity. Also, general consensus within and outside the agency was that it had severe productivity problems. For these reasons, this agency was treated as a sub-optimal performer.

findings on these states.* While these researchers had somewhat different variables that were statistically significant explainers of productivity differences, their variables generally described the same economic pheonmena. Even though their productivity and labor market data were for different time periods, they reached very similar conclusions about the expected productivity of these SESA's. Thus, the regression results, together with past performance records, our observations in the field and the perceptions of those within and outside the agencies, seem a reasonable basis for the above categorizations, especially since they are used for diagnostic and prescriptive purposes.

Similarly, the environments in which these SESA's operated were categorized as either favorable or unfavorable using the results of the RAF regression analysis. After adjusting productivity for the significant economic variables, the expected productivity of study SESA's was compared to the national average productivity.** If a SESA's expected performance was below this national average productivity, then its economic environment was less favorable than SESA environments on the average. Placements were more difficult to make due to economic conditions than in the "average" SESA. Any expected performance above the average indicated that the SESA's environment was more favorable than the average.

Table VIII presents comparative rankings of SESA's studied on the scale of more to less favorable environments.

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*See Table IV, p. 192 in this appendix.

**We intentionally chose the national average of actual productivity (161.7 IP/SY) to differentiate favorable and unfavorable ES environments. The national average for expected productivity (180.1 IP/SY) would have moved states with considerably less urbanized populations into the category of unfavorable environments. Since metro environments clearly affected ES performance, we wanted the unfavorable environment category to reflect urban density. The Westat RAF 1977 analysis of placement transactions per staff year found that population density was a significant explainer of differences between states for this performance measure.

TABLE VIII. DETERMINATION OF FAVORABLE AND UNFAVORABLE ENVIRONMENTS

	SESA's	Expected Productivity IP/SY
Favorable Environment	A	204.4
	D	195.1
	C	191.4
	F	189.1
	I	174.4
	G	170.8
National Average Productivity		161.7
Unfavorable Environment	E	147.5
	H	132.9
	B	130.1

While SESA environments were categorized according to the three significant variables in the RAF study, descriptions of their environments do not have to be limited to unemployment, employment growth and average earnings. Other labor market, economic and demographic variables were also considered in the analysis. A priori reasoning suggested that they could have a likely impact on ES productivity. However, they were less effective explainers of productivity differences than the three significant factors. Moreover, the set of external factors considered by the analysis were not really independent of each other; in fact some were quite interdependent.

One of the significant variables was the level of unemployment in a state (state unemployment as a percent of national unemployment). This variable had relatively high correlations with population density and degree of urbanization (percent of state population in large SMSA's). Similarly, average earnings in UI covered industries were negatively correlated with the percent of low and medium skilled workers in the labor force. Average earnings also correlated positively with the percentage of the labor force that was unionized. Therefore, an environment that had relatively low unemployment, low average earnings and high employment growth could be described as also having relatively low population density, a small proportion of its state population in metro areas, a high percentage of low and medium skilled workers, and low unionization. Such an environment would be favorable to ES placement productivity. Conversely, states with relatively high unemployment, high average earnings, low economic growth, high population density, many large metro areas and high unionization would be unfavorable environments.

When a SESA is described as having a favorable or unfavorable environment in this study, we mean relative to other SESA environments. To take an extreme example, if the country were in the throes of a depression, with no sector or Region escaping it, our method of characterizing environments would still show some states in favorable environments. That is, their expected productivity would be above the average national productivity. In relative terms they would be in a more favorable environment than those SESA's with expected productivity below the national average.

Table IX shows the numbers of SESA's by productivity, environment and Region. These SESA's were characterized accordingly by the decision rules developed from the RAF regression analysis. It should be noted that only twelve of the states have unfavorable environments. These include eight of the largest ten states in the nation.

TABLE IX. NUMBER OF STATES WITHIN EACH REGION THAT ARE OPTIMIZING AND SUB-OPTIMAL PERFORMERS AND ARE OPERATING IN FAVORABLE OR UNFAVORABLE ENVIRONMENTS

Regions	Favorable Environment		Unfavorable Environment	
	Optimizing	Sub-optimal	Optimizing	Sub-optimal
I	2	3	0	1
II	1	0	0	2
III	1	2	1	2
IV	4	3	1	0
V	0	2	0	4
VI	2	3	0	0
VII	2	2	0	0
VIII	1	5	0	0
IX	1	2	1	0
X	3	1	0	0
Total	17	23	3	9

APPENDIX II.
ADMINISTRATIVE PROVISIONS GOVERNING THE EMPLOYMENT SERVICE

§ 658.704 Remedial actions.*

If a State agency fails to carry out a corrective action plan imposed under § 658.703 of this subpart, the RA [Regional Administrator] shall apply one or more of the following remedial actions to the State agency.

(a) Imposition of special reporting requirements for a specified period of time;

(b) Restrictions of obligational authority within one or more expense classifications;

(c) Implementation of specific operating systems or procedures for a specified time;

(d) Requirement of special training for State agency personnel;

(e) With the approval of the Assistant Secretary and after affording the State Administrator or State Director the opportunity to request a conference with the Assistant Secretary, elevation of specific decision making functions from the State Director to the RA and/or imposition of Federal staff in key State agency positions;

(f) Funding of the State agency on a quarterly or other short-term basis;

(g) With the approval of the Assistant Secretary and after affording the State Administrator or State Director the opportunity to request a conference with the Assistant Secretary, withholding of funds for a specific function or for a specific geographical area;

(h) Holding of public hearings in the State on the State agency's deficiencies;

(i) Disallowance of funds pursuant to § 658.703(a) of this subpart; or

(j) If the matter is a serious or a continual violation, formal designation of the State agency as out of compliance with ES regulations and initiation of decertification procedures against the State agency. The RA shall initiate decertification by notifying the State agency by registered mail that decertification may be forthcoming, stating the reasons therefore. Whenever such a notice is sent to a State agency, the RA shall prepare five indexed copies containing, in chronological order, all the documents pertinent to the case. One copy shall be retained. Three shall be sent to the ETA national office, and one shall be sent to the Solicitor of Labor, Attention: Associate Solicitor for Employment and Training.

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*Federal Register, Vol. 42, No. 16, January 25, 1977, p. 4736.

[This section is preceded by one which describes how Federal officials are to document noncompliance and other problems in state agencies.]

APPENDIX III.
THE ACCOUNT EXECUTIVE

The account executive concept as proposed here is a new form of an old idea. An account executive is generally described as an ES staff member who has employer relations responsibilities for a specific set of employers or "accounts." This approach has usually been proposed for metro areas where estrangement between employers and the ES has been an important cause of low placement productivity.

Estrangement is far less a problem in non-metro areas. In small city and, especially, rural settings, a simpler social and economic structure renders an account executive approach unnecessary. In these environments, the numbers of ES personnel and employers are lower than in metro areas. Unemployment rates are relatively low, and social and economic interactions easier. Hence, regular ES placement staff can readily maintain close relations with potential employers. Communication, like all social relationships, is personal, informal, and on a "friends and neighbors" basis.

In urban areas, where the social and economic structure is much more complicated, there is a need for an employer relations approach that approximates the non-metro one. But the employment service and employers--like other urban organizations--tend to be larger and more impersonal. Multiple local ES offices and large numbers of employers, some of them large firms, make it difficult or impossible for regular placement interviewers to handle relations with employers. The mini-office strategy recommended for metro areas in this report would increase the coordination difficulties of employer relations even further.

The scale of these metro ES operations also generates a need for automation. Urban offices have experienced steadily increasing workloads while applicant needs have become more complex. Improved services are demanded of the ES not only because of the complexity of applicant needs but also because of additional legal requirements. Local office budgets don't permit the employment of more staff to handle those increasing number of tasks. Therefore, automation is required to free up more professional staff time by assigning computer systems to do the tedious and routine tasks. However, automation tends to depersonalize services, especially to employers. Consequently, the need for both greater automation and improved employer relations presents metro managers with a dilemma. How can automated systems be implemented without further alienating employers?

The advent of Job Bank and Central Order Taking (COT) has depersonalized ES contact with employers, disrupting the previous relationship between employers and interviewers. No longer can an employer give a job to a specific interviewer and hold him accountable for referrals.* Employer job orders are now received and entered into the Job Bank by clerks who usually work separate from any local office. An employer must deal at random with different clerks at different times; there is no one individual who is accountable if mistakes are made, for example, in entering the required job qualifications into the Job Bank. For all these reasons, the ES presents a formidable, impersonal and bureaucratic appearance to many employers in metro areas, with the result that many do not seek its services.

Past conceptions of the employer relations role have not adequately improved relations between the ES and metro employers. Employer Service Representatives (ESR's) have been separated from mainstream placement operations in local offices so they can relate directly to employers. Many are located in district rather than local offices. They have no regular involvement in placement and hence little control over the quality of referrals. Thus, most have been ineffectual in improving placement productivity and ES credibility among employers. Their limited impact has been a cause, and also a reflection, of the tendency of local office managers to assign their less energetic and capable personnel to ESR slots.

The "Vickery Report" suggested an approach for re-establishing direct contact between ES service deliverers and employers. The scheme can be viewed as an attempt to duplicate the model of employer relations found in many non-urban offices, despite the vastly greater complexity of the urban environment. It recommended that account executives be placement interviewers. Account executives would be assigned by the ESR's to handle all ES transactions with particular employers, subject to the approval of the latter.** Since account executives would remain local placement interviewers, however, it is difficult to see how they could give sufficient time to relations with employers. Also, equal access to job orders by local offices would be compromised in multi-office metro operations. Account executives in some offices would attract a disproportionate share of job openings because of the "favorable" demographics of their applicants. Inner city offices would be effectively cut off from these job order opportunities.***

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*In some Job Bank sectors interviewers can still take job orders but employers are encouraged to route their job openings through the COT unit. Most Job Bank sectors prohibit interviewers from taking job orders.

**See the Report of the National Employers' Committee for Improvement of the State Employment Services, DOL, 1972, p. 23.

***In some metro areas visited local office staff took job orders from employers. ESR's also solicited job orders for local offices to which they were assigned. The formal policy in these areas required release of job orders to Job Bank within 48 hours. However, competition for placements was so intense that few job orders taken in local offices were ever released to Job Bank during this time frame. Only after every attempt had been made to place against a job order was it submitted to Job Bank for general dissemination among offices. The policy was circumvented by post-dating job orders received.

The conception of account executive recommended here attempts to have the best of both worlds by separating the account executives from local offices and yet giving them some control over the quality of referrals to their accounts. Account executives are meant to give the large employers a single individual who is their contact with the ES so as to overcome the dispersion of metro local offices and the impersonality of the Job Bank system. Like many ESR's, the account executive would work out of the district metro office rather than a local office. As in the Vickery study account executives would receive all job orders from particular employers and be able to exercise quality control over referrals to these jobs.

The advancing computer information capability of the ES is important here. An account executive approach is feasible in metro environments without computerized job matching. However, it is even more advantageous to metro operations with a Job Service Matching System (JSMS). Video terminals, computerized applicant files and other on-line information systems would allow the account executive to be separate from local offices and yet in close enough touch with them to guide their referral practices to employers. All job orders would be received from the assigned employers and then transmitted to local offices via Job Bank. The new computerized job matching capability would be used to review the characteristics of applicants before allowing local offices to refer them to the employers.

Account executives would work only with large employers who could potentially do a large portion of their hiring through the ES. They would consequently work with only a small proportion of the employers using the ES. However, these large employers could generate disproportionately large numbers of job orders.

Specifically, the account executives' role would consist of the following four elements:

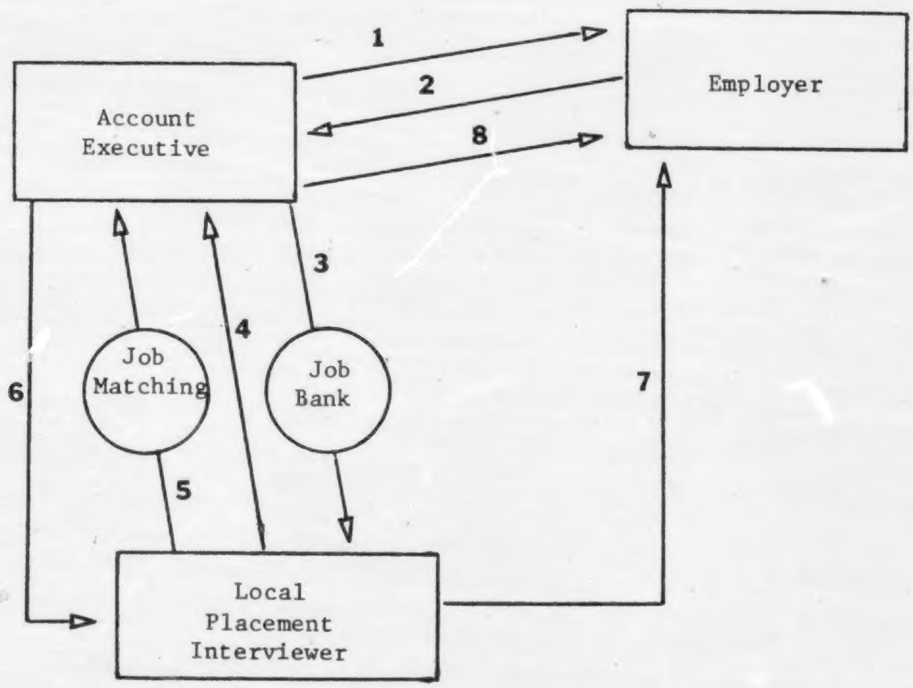
- Promotional visits to assigned employers--their "accounts."
- The receipt of all job orders from these employers; they would assume responsibility for ensuring that the required job qualifications were entered into the Job Bank correctly.
- Quality control of applicants proposed by local offices for referral to these openings.
- Contact with employers to receive feedback about the adequacy of referrals and other services.

Together, these elements comprise a feedback loop which should enable the account executive to find out about employer needs, service these needs, find out whether service was adequate, and make any necessary corrections to local office referral practices.

The following eight communications among the employer, account executive, and local office would be necessary to fill a job order and receive feedback about service:

1. Account executive visits employer to find out about needs.
2. Employer sends job order to account executive.
3. Account executive communicates the order to local offices via Job Bank.
4. Local placement interviewers phone account executive to propose applicants to fill the job order. The account executive discusses qualifications with interviewers.
5. In areas with JSMS, the account executive reviews applicant characteristics on the video terminal to determine whether applicant meets job order specifications.
6. Account executive gives local office interviewer authority to refer applicants.
7. Local office refers applicants to employer.
8. Account executive contacts employer to receive feedback on the adequacy of referrals.

The following diagram portrays all these exchanges. The numbered arrows correspond to the communications listed above.



When the account executive entered job orders into the Job Bank, hours designated for grant referral authority would also be indicated. Probably referral activity would be concentrated during the early part of the week, when job orders are heaviest, and more time given during the last part of the week to promotional visits and other contact with employers. The account executive might give standing referral authority to interviewers whose referral records had proven to be good in the past.

At times the incentives and performance measures for placement interviewers may not be complementary to improving employer relations. Employers frequently complain about the quality of referrals. An interviewer is rated primarily on the total number of placements. This provides an incentive to refer many applicants to jobs, whether or not they are qualified, on the chance that they will be placed. Account executives could counteract this tendency. They could be rated by superiors according to what proportion of referrals to their employers resulted in placements.* Hence, the incentive is to have local offices refer only qualified applicants to those employers.

Account executives and placement interviewers would have to work together to meet their performance goals. Interviewers would have to refer qualified applicants to get access to high-volume job orders that account executives would control. Account executives would have to accurately describe job openings and effectively service their accounts to receive good performance ratings. They would have to research potential accounts and their labor needs, make intensive job development and promotional efforts, broker for job order modifications when requirements were too stringent, and take corrective action on poor referral practices by local office staff.

Computerized job matching may require additional interaction and coordination between account executives and local offices. Like all job order takers in a JSMS system, the account executive must use keywords in describing job openings that are compatible with those used to describe applicants. To achieve uniformity of keyword assignment will require close coordination and considerable training within a metro ES operation.

Another necessity is that the account executive system be, to some extent, exclusive. As a practical matter, the service could be offered only to the largest employers that could potentially hire through the ES in a metro area. The vast majority of employer job orders would still be received by the COT unit in Job Bank. Account executives could, in addition, be assigned to employers participating in ESIP. This "special" service would give ESIP participants first hand experience with the potential of the ES and hopefully recruit their long-term support of the ES.

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*Another criterion might be the number of jobs filled by an account executive's employers through the ES, as a proportion of "potential" hiring by these employers through the ES.

Also, the account executives would have to be drawn from the more capable ES employees. By its nature, the job is entrepreneurial and requires more than average initiative, judgment, and mastery of detail. The system would not succeed if account executive slots came to be viewed by local office managers, as ESR slots often are, as havens into which employee "deadwood" can be harmlessly shunted. The positions would have to be classified at a high enough level to attract the more capable ESR's and placement interviewers. A career ladder would probably have to be defined which made the account executive, not a dead-end job, but a step towards managerial and higher level administrative jobs within the SESA. The fact that the positions would be located at the district level should carry the implication that they represent a "step up" for capable local office people.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1977 O—246-203

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